





# The loss of our independence

BY C. GORDON TETHER

THE Chancellor of the Exchequer's speech at last week's Mansion House banquet shows how far the Government has now allowed itself to be persuaded that the sterling crisis has fatally compromised the country's freedom to control its own destiny—leaving us with no alternative but to grin and bear a high level of unemployment and all our other present economic discomforts until, in the fullness of time, an improvement in the world climate hopefully brings relief.

And what must make the latest reappearance of this tired old theme particularly exasperating to a long-suffering British public is that it is being presented by the very politicians who in the past insisted that it was both misguided and quite unacceptable.

Sir Roy Hargrove, the veteran Oxford economist, ringered round the full-blooded way in which the Labour leadership has changed sides on this fundamental issue when he drew attention in our correspondence columns yesterday to "a most extraordinary paradox" in the Chancellor's Mansion House peroration—Mr. Healey's assertion that the Government was not taking measures to reduce unemployment "because they would increase the balance of payments deficit and rekindle the flames of inflation."

Utterly wrong Sir Roy explained that, though a Conservative, he had often felt impelled to vote Labour because he was under the impression that the party would give top priority to the reduction of unemployment—rectifying any consequent worsening of the external balance through import restriction and dealing with any resultant spiralling of wages and prices by introducing wage and price controls.

He was under this impression, of course, because from the early 1960s onwards Labour identified itself with a simple proposition: it was that it would be utterly wrong to allow the course of Britain's economic policy to be determined by the behaviour of the balance of payments and by the foreign interference in our affairs that this was apt to provoke.

The party's successful appeal to the electorate in the 1964 General Election was based in significant measure on its declared intention to tackle the obstacle to economic advancement presented by the ebb and flow of the foreign exchange rate. In more recent years, its advocacy of adherence to the floating exchange rate has been based on the argument that this would en-

# British crew leads in Indian Ocean chase

By Alec Beith

THE CREW of Great Britain II reported yesterday—Trafalgar Day—that they have maintained their lead of about 200 miles over the French ketch Krier II as the two yachts chase across the southern Indian Ocean towards Western Australia.

After two days' relatively slow progress in headwinds at the end of last week, Great Britain then bettered 250 miles on two consecutive days but slowed again on Monday, while the French, now tracking north to the 40th parallel, managed 420 miles during the last two days.

Despite problems of head wind, Great Britain and Krier are five and four days respectively ahead of the position of the clipper Patriarch as at the 50th day of her 69-day voyage from London to Sydney in 1869. Communications have been difficult for both yachts and neither has been as visible as during past weeks.

The Dutch aboard Great Escape are also struggling as they round the African continent, having obviously sailed too close to the South Atlantic high pressure area, while no reports have been received from the Italians aboard CS E R II for 10 days.

Meanwhile, after the announcement from the R.O.R.C. that the British will sail a team in the Southern Cross Cup series at Sydney this winter, Qantas Airways, in league with a London travel agent, are arranging a special yachtman's package tour escorted by round-the-world sailor Robin Knox-Johnston.

Those making the tour will see the Middle Harbour yacht race in Sydney, the re-start of the FT Clipper Race from Sydney to London and the start of the classic offshore race from Sydney to Hobart, Tasmania, on Boxing Day. Qantas Airways are official carriers to the Clipper Race crews.

Great Britain II—Oct. 21, 6:30 GMT  
Krier II—Oct. 21, 12:30 GMT  
Great Escape—Oct. 21, 12:30 GMT  
CS E R II—No recent report received

How is one to explain the fact that, though they showed themselves well aware of the lessons taught by a quarter of a century of British experience while out of office, they are apt to be blinded by international financial science by those who have a vested interest in preserving the myth that economic independence is a luxury that this country can never afford?

Whatever the explanation, it is an attitude that should now be subjected to the most rigorous examination.

# Chances for Eddery and Hide

By DARE WIGAN

THOSE TWO fine riders, Pat Eddery and Edward Hide, who might well have competed for the season's jockey championship, if Hide had not been injured, can dominate today's flat programmes.

Eddery, whose chances of achieving a double century for 1974 now seem somewhat remote following a fall off in winners during the past few weeks, can oblige on three, *Isolate* and *Fall To Pieces* from Peter Walwyn's stable, and the Herbert Blagrove-trained *Realistic*.

In a race which should be well within his compass I hope to see the progressive *Isolate* oblige by outpacing *Motoplane*, fourth at Goodwood on his only previous appearance.

Fall to Pieces, among the runners for Granby Plate (2.00) from which *Glastonbury* and *Trustee* have both been withdrawn, need only reproduce the form which enabled her to finish a close third to Bens Bridge in an 18 runner maiden event at Lingfield to account for the somewhat disappointing *Air Trooper*.

Hide, who almost certainly rides better than any other jockey in the country, can take a treble on the Yorkshire track through *Thistle*, *Victory* and *Thistle*.

As the best betting proposition in the Eddon Plate (in which *Calor* could provide the chief threat).

That smart two-year-old *Catalpa*, who had the misfortune to run up against Dutch Treat at Haydock before going on to score with ease at Ayr, ought not to be extended to make it a double in the Ruspaw Plate (2.45).

**SANDOWN**  
2.00—Fall to Pieces\*\*  
2.15—Isolate\*\*  
2.30—Thistle  
2.45—Glastonbury  
2.55—Trustee  
3.00—Victory  
3.15—Thistle  
3.30—Thistle  
3.45—Thistle

**REDCAR**  
2.15—Thistle  
2.30—Thistle  
2.45—Thistle  
2.55—Thistle  
3.00—Thistle  
3.15—Thistle  
3.30—Thistle  
3.45—Thistle

**CHELTENHAM**  
2.00—Remigio  
2.15—Neon Star  
2.30—Calva

# A fascinating diary

BY ROBIN LANE FOX

GARDENERS' DIARIES are, to me, the exact observation of gardening would not be my mind, a very good read. You can see men coping with the same problems, trying solutions which you now know to be hope-

Seasons can be matched together, 1912 with 1975, and dates and crops compared. The diary is a treasure trove of information, a joy to see this, if you are a gardener, and a joy to see this, if you are a gardener.

White had none of the used a glass frame and steaming manure so hot that it burned the plants. The diary is a treasure trove of information, a joy to see this, if you are a gardener, and a joy to see this, if you are a gardener.

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# TV Radio

† Indicates programme in black and white.

**BBC 1**  
9.15 a.m. For Schools, Colleges, 10.45 a.m. and 11.00 a.m. For Schools, Colleges, 12.30 p.m. Day and Night, 12.55 News, 1.00 Pebble M.U., 1.45 On the Farm, 2.01 For Schools, Colleges, 4.30 Play School, 4.35 Roobarb, 4.39 Jackanory, 4.45 The News, 5.00 Days, 5.05 John Craven's Newsround, 5.15 The Hill of the Red Fox, 5.40 The Wombles.

**BBC 2**  
6.40 a.m. Open University, 10.45 Nai Zindagi Naya Jeevan, 11.00 Play School, 11.05 Open University, 11.30 The News, 11.35 The News, 11.40 Weather/Regional News, 11.45 The News, 11.50 The News, 11.55 The News, 12.00 The News, 12.05 The News, 12.10 The News, 12.15 The News, 12.20 The News, 12.25 The News, 12.30 The News, 12.35 The News, 12.40 The News, 12.45 The News, 12.50 The News, 12.55 The News, 1.00 The News, 1.05 The News, 1.10 The News, 1.15 The News, 1.20 The News, 1.25 The News, 1.30 The News, 1.35 The News, 1.40 The News, 1.45 The News, 1.50 The News, 1.55 The News, 2.00 The News, 2.05 The News, 2.10 The News, 2.15 The News, 2.20 The News, 2.25 The News, 2.30 The News, 2.35 The News, 2.40 The News, 2.45 The News, 2.50 The News, 2.55 The News, 3.00 The News, 3.05 The News, 3.10 The News, 3.15 The News, 3.20 The News, 3.25 The News, 3.30 The News, 3.35 The News, 3.40 The News, 3.45 The News, 3.50 The News, 3.55 The News, 4.00 The News, 4.05 The News, 4.10 The News, 4.15 The News, 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# Grey-Greene

by CHRIS DUNKLEY

When Thames Television held its annual shareholders' meeting last month to launch its new series *Shades of Greene*, Hugh Greene declared with conviction to the assembled company of television executives, publishers, advertisers and others that this was the best television series ever made in Britain. Not the best drama, nor the best set of adaptations, nor the best TV series—best, full stop.

Even when he said that it is a very big claim to make, he was not kidding. Graham Greene, the author of the short stories from which the series has been adapted, was guest of honour at the launch, and even taking into account Sir's own employment on the series as a consultant, and adding yet more leeway in the form of the enormous claim, on an occasion like this, it is a momentous claim to make.

At the same time one must bear in mind that Graham Greene is the best living writer of fiction in the English language, and that he has a duty to make such superb material and make really bad television out of it. When Thames Television persuaded Greene (after years of refusals of all television offers) to agree to adaptations, they not only achieved a great coup but also took on a great responsibility.

All the evidence suggests that series producer Alan Cooke was well aware of this: he commissioned a collection of the best of Greene's stories, and he hired many of our best—and presumably most expensive—actors and actresses. There have been few if any television series which could boast a list as impressive as Paul Scofield, Virginia McKenna, Leo McKern, Harry Andrews, Elizabeth Sellars, Elaine Stritch, Donald Pleasence, John Le Mesurier and Betty Blair in the first five episodes.

Yet none of this has done the trick. Cooke and his directors have not made the stories into really bad television, but they have certainly managed very little that can be called really good. Perhaps one of the main reasons can be found in the series' first production, "When Greek Meets Greek", which was significantly not only produced but also directed by Alan Cooke himself. Significantly because it exemplified a certain style which has run noticeably through much of the other work in the series which I have seen (I missed William Trevor's adaptation of "Two Gentle People"). The assumption has to be made, therefore, that it is a style which was quite deliberately chosen and developed by Cooke—since much more economical, it hardly seems likely that Alvin Rakoff, director of "Cheap in August", "A Little Place Off the Road", "The Blue Film", and "The Root of All Evil", and Philip produced the astonishing *Saville*. ("A Little Place Off the Road" and "The Blue Film" were produced by the same man, John Mortimer).

First result was that on the first episode, "When Greek Meets Greek", my feelings were mainly disappointed—as they would have been if I had never uttered the word "disappointment". The result was a great increase in respect I felt for Graham Greene, because he had been so realistic enough to admit to the treatment of his Greek Meets Greek. I had been outstretched to the main faults as being due to the point of old mugging.

It would be quite to judge this series simply as a single snatch of Greek Meets Greek. I have been disappointed, however, to find that it is not a single snatch of Greek Meets Greek, but a series of Greek Meets Greek. I have been disappointed, however, to find that it is not a single snatch of Greek Meets Greek, but a series of Greek Meets Greek.

revision is a voracious consumer of talent and of genius even as few as three episodes running simultaneously, every evening, 365 of the year—ignoring day-transmissions on the ground that they are over-riding broadcasts of old, or of special schools, or of the broadcasting stations will inevitably find it possible to sustain a level of ignominy or ineptness to that of other forms of entertainment (theatre, literature) which are much more economical, it hardly seems likely that Alvin Rakoff, director of "Cheap in August", "A Little Place Off the Road", "The Blue Film", and "The Root of All Evil", and Philip produced the astonishing *Saville*. ("A Little Place Off the Road" and "The Blue Film" were produced by the same man, John Mortimer).

considering the immense quantities of talent and of genius which have been poured into the production of this series, it is a pity that it should be so disappointing.



Graham Greene on the location site of this week's story from "Shades of Greene" (Thames)

## John's, Smith Square

### BBC Singers

by DOMINIC GILL

BBC Singers—founded 51 years ago as the Wireless of the past 50 years, could in 1935—look their present name two years ago under new conductor John Poole.

recital on Monday, sung a and framed by Pales and Bach motets, marked 50th anniversary of the BBC's first broadcast on 19. 1925.

Singers as constituted at have a well-disciplined rather shrill, top-heavy weight. The acoustic of St. Martin's is a fine, but it was a tiring, difficult to concentrate on—above all in the three rina motets at the start of evening, which so cry out for middle colour and strong underpinning. O gloriosa no for three choirs, a place full of subtle rala and vivid exchanges, was for the record in that this category.

least performance, was 21. The Singers were founded, then commissioned to write a place for the occasion. The BBC sets six voices in the *Passion* by Robert Spencer's *Passion* (a set of mixed polytonal, entirely vocal, entirely able on its own terms, fashioned and charmingly delivered in a mannered and worthy, bold. As an anniversary in this country on account of the war and the writing, Katharine Hepburn and, more bore hardly a trace (recently, the musical 110 in The perhaps a certain spile of Shoda).

## Baryshnikov, Makarova on television

Russian dancers Mikhail Baryshnikov and Natalia Makarova will appear together for the first time in Britain on BBC-1 television's *Gala Performance*, to be recorded at Sadler's Wells in November for showing at the end of the year. They will dance *Les Deux Femmes* from *Don Quixote* and *Swan Lake*.

## Greenwood Theatre

### The Rainmaker

M. Richard Nash's sentimental drama of the salvation of a spindly mid-Western country girl by a likeable con man is doing the rounds of small out-town theatres with *Marianne Faithfull* and Peter Gilmore in the leads. The play is old-fashioned, charmingly delivered in a mannered and worthy, bold. As an anniversary in this country on account of the war and the writing, Katharine Hepburn and, more bore hardly a trace (recently, the musical 110 in The perhaps a certain spile of Shoda).

Blue Film") would all choose quite independently to work in such similar styles. Cooke has favoured a very mannered style, one of overstatement in which everything tends to be larger than life. The trouble is that it has been taken too far. It is not difficult to imagine one way that this could come about: Greene's short stories are, mostly, supremely economic. They give the impression that character, situation, atmosphere, whatever it is, have been reduced and reduced until—like meat stock—all that is left is the heavily concentrated goodness after all extraneous material has been boiled off. Faced with the problem of finding an analogy to suit television a producer might easily decide that, for a start, working mainly in studio will fine down the focus and help to concentrate the activity. (Though of course budget restraints could lead to a heavy reliance on studio, too).

Then it might be considered that to help with the approximation of Greene's strong flavours, an almost Victorian style of heavily mannered acting should be used, particularly in the comedies. Hence the over-vigorous hamming of Roy Kinnear in "Greek Meets Greek" and the equally exaggerated antics of Elizabeth and others in "The Root of All Evil". On the stage "We'll all have to meet" (point, point with index finger) "secretly!" (nod, nod pursing of the lips) might possibly come across as successful comedy business. In close-up on television it looks about as subtle as a pantomime dame getting her message through to the back of the stalls.

There have been occasions when this style has been absent and they have been easily the most successful periods of the series so far. The final scene at the hotel bed between Leo McKern and Virginia McKenna in "Cheap in August" which could so easily have been embarrassing, maudlin, or just plain unlikely-looking was actually very touching. And last week's double bill which started with the hopelessly over-stretched and again too-heavily mannered "Little Place Off the Road" and "The Blue Film" which was far and away the best of the plays so far. It was hard to believe that the same man (John Mortimer) adapted both plays.

From the subtle use of Bryan Ferry's camp seventies version of "Smoke Gets in Your Eyes" on the pub juke box to Mortimer's development of the wife's early scorn at her husband, as a youth, all the additions to Greene's work, the original Greene himself was made to work, and the double climax which could have been lost on television by a timid producer or director was allowed to come out forcefully.



Wendy Hiller in "Les", which opened last night at the Albany

## Covent Garden

### Il barbiere di Siviglia

by ELIZABETH FORBES

Covent Garden's 15-year-old production of *Il barbiere di Siviglia* returned to the opera house on Monday, but in a totally transformed condition. Since the previous revival last March, the sets originally by Jean-Denis Maillol, have been redesigned by Moshe Mussman, who has also provided new costumes. Though the changes are not quite as radical as in the "new" *Peter Grimes*, they are sweeping enough to accommodate a production by Michael Rennison, that is the absolute antithesis of the old, conventionally comic one. Mr. Rennison has had the simple, but brilliant idea of playing the piece absolutely straight, and the result is not merely the most enjoyable Barber I can remember at the Garden, but also one of the funniest.

The humour, of course, stems from Steriorn's witty text: from the situations and characters taken over from Beaumarchais' original play; above all from Rossini's marvellous, intrinsically brilliant and misanthropic score. But the transformation does not stop with the sets and the production. Musically this Barber is also a revelation. Alberto Zedda, whose spring-cleaned edition of the score has been used for some years at Covent Garden, is the conductor, and he has reinstated large portions of the recitative always before in this production at least, omitted. He has also opened sundry other cuts. As the new sets allow the two scenes of Act I to play without a pause, there is sufficient time for the extra music.

There is also time for some music nobody in the theatre is likely ever to have heard before. Mr. Zedda, though he has previously been on record as preferring a mezzo Rosina, on this occasion has settled for a soprano. Furthermore, he has let her decorate her music considerably, and has provided her with an extra aria, one which Rossini himself provided for Josephine Fodor-Mainville in 1816.

Miss Welting, who made an unexpected debut at the opera house last February as Oscar in *Un ballo in maschera*, makes a charming Rosina, youthful, high-spirited, determined without aggressiveness. She sings the

vocal embellishments with such good taste, and invests them with such appropriate expression, that all one's prejudices against a colouratura Rosina vanish. Luisa Alva, a survivor from the production's first cast, is still the most stylish Almaviva to be found anywhere. His elegant phrasing, superb diction and aristocratic bearing—even when pretending to be drunk—are a model for all lyric tenors to emulate if they can.

Thomas Allen is an excellent Figaro, agile-voiced and energetic. His basic approach to the role is serious, which fits the production's new look perfectly, but he too has the resilience and geniality of youth. Gabriel Bacquier, singing the role of Bartolo for the first time, makes a rather endearing Doctor. Generally, if ridiculously in love with Rosina, he resembles an amorous ostrich as he leans yearningly towards her.

Forbes Robinson, a Basilio for once decently dressed, without umbrella or filthy handkerchief, sings his Slander aria resolutely, and heroically avoids any clowning with the sets and the production. Musically this Barber is also a revelation. Alberto Zedda, whose spring-cleaned edition of the score has been used for some years at Covent Garden, is the conductor, and he has reinstated large portions of the recitative always before in this production at least, omitted. He has also opened sundry other cuts. As the new sets allow the two scenes of Act I to play without a pause, there is sufficient time for the extra music.

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Still, the play has one of the most distinguished casts in the current London theatres—Sheila Hancock, Hugh Paddick, Christopher Benjamin, Frank Thornton, Robin Askrigg, Kate Binych, as heroine, hero, villain, clown, and Elizabeth Bainbridge, clad in Victorian maid's uniform, makes a demure Berta. Mr. Zedda's conducting is unobtrusive; the orchestra played well for him.

Miss Faithfull is far too beautiful even to begin to qualify for the role of old maid unkindly assigned to her by her mean brother (Brandon Brady); but her voice, if of limited range, has a fascinating, velvety quality that helps her over and through the more excruciating prose she utters when spellbound by her Bill ("All your life you look for a star; then, one day, you look down, and there it is in your hand").

MICHAEL COVENEY

# New Music in Hungary—1

by DOMINIC GILL

The Days of Contemporary Music in Budapest this year consolidated the new tradition tentatively established 12 months ago, when new music was included as a category in the Budapest Music Weeks for the first time. Hungary now has a full-blown and fast-growing festival of contemporary music. Its products are still, as they should be, chiefly home-grown; but this year, for greater contrast and variety, the net was cast more widely than before. Programmes generally were as likely to include pieces by Messiaen, Stockhausen, Xenakis or Cage, as by Kurkó, Mihály, Bozay or Láng. Krzysztof Penderecki was invited from Poland to conduct a programme of his own orchestral works. Visiting artists included such diverse talents as the excellent "aulos" trio from East Germany; the young Japanese conductor, Kobayashi Ken-ichiro; and, passing by on a journey from Australia to London, Cathy Berberian.

Of the Hungarian composers who particularly impressed me last year, it was this year György Kurtág who was given the most comprehensive public presentation, with an evening devoted entirely to his work. The emphasis was justified. It might be unfair to some of his contemporaries to say that Kurtág, born in Lugos in 1926, a pupil of Sándor Veress and Ferenc Farkas and later in Paris of Messiaen and Milhaud, was the first Hungarian composer of his generation to break convincingly from the Roddy axis and write in a style wholly and distinctively his own. But he was certainly one of the first composers of his generation to achieve official recognition in his home country as well as notice abroad; and it was around him during the 1960s that a new group of composers quickly came to prominence—some of them pupils of music schools in Rome and Paris, others merely visitors to Darmstadt and Warsaw—who were the first to carry forward the banner of the New Music in Hungary, no longer content to continue with the same precarious re-working and restitching of "traditional" pre-war styles.

I arrived in Budapest the day after the Kurtág concert, but was lucky enough to hear it later at the Hungarian Radio on tape—a long programme, which began with Kurtág's opp. 1 and 2, the delicately Webernesque, all the same but robustly underventive string quartet and wind quintet, and ended with *The Sayings of Péter Bornemisza*, a "concerto" for soprano and piano composed in 1968, remarkable for the economy and richness of its working, full of subtle combination and interaction between instrument and voice.

Kurtág's opus is not large; he composes slowly, with extreme self-critical restraint. Székely ("Splinters") for solo cimbalom, which I heard at last year's festival, played by the brilliant Márta Fábán, was the first new work of his to be given anywhere for several years. But 1975 has been a comparatively fruitful period; and between the quintet and the Bornemisza settings, as well as the brief, epigrammatic *Eight Piano Pieces* of 1960 and the magical *Eight*

*Duos* for violin and cimbalom of 1961, we also heard two new works—*Four Songs* to words by János Pilinszky for baritone and instrumental ensemble, and *Jaur*.

*Jaur* are Kurtág's *Mikrokosmos*: a collection of tiny piano pieces for two, four and six hands, designed for students of all ages, ranging from the very easy to the very difficult. There are so far more than 200 pieces in the collection. Some are transcriptions—of Schütz, Frescobaldi, Machaut. Most are original; and each demonstrates a particular technical point with marvelous poetry and humour. Visiting artists included love them—it was evident even on tape that the three young teenagers who gave a selection of 39 *Jaur* at the Kurtág concert always with remarkable technical accomplishment and zest, were also having the time of their lives.

"Homage à Chalkovsky" was very funny; a study in pained smashes and glissandi in B flat minor that recalled vividly, without once actually quoting, the most comprehensive public presentation, with an evening devoted entirely to his work. The emphasis was justified. It might be unfair to some of his contemporaries to say that Kurtág, born in Lugos in 1926, a pupil of Sándor Veress and Ferenc Farkas and later in Paris of Messiaen and Milhaud, was the first Hungarian composer of his generation to break convincingly from the Roddy axis and write in a style wholly and distinctively his own. But he was certainly one of the first composers of his generation to achieve official recognition in his home country as well as notice abroad; and it was around him during the 1960s that a new group of composers quickly came to prominence—some of them pupils of music schools in Rome and Paris, others merely visitors to Darmstadt and Warsaw—who were the first to carry forward the banner of the New Music in Hungary, no longer content to continue with the same precarious re-working and restitching of "traditional" pre-war styles.

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glissando scales—great fun, and extremely difficult to do well. "Homage à Varèse" was a pungent sequence of hammered metallic chords: "The mind will have its freedom" a wistful song; three versions of "The man is a flower," soft, translucent studies in *sotto voce*. Allusions abound: to friends ("Portrait"), to colleagues ("Telephone numbers of our friends"), to other composers ("Bell" as elaborate and very pretty Stravinskian permutation of synopated chimenes).

The four new Pilinszky settings I also found very attractive: brief miniatures, beautifully conceived, powerfully concentrated. Difficult to convey in a phrase their spare, pungent flavour. "Alcohol," a monotonous chant for voice and bowed violin and cello, a dark dramatic recitative full of echoes and portents; a swirling "Hölderlin" for voice and string trio; and "Beating," a bitter contest for

voice and seven instruments, savage, clean-cut and precise. They are strange, rewarding pieces, rich in subtle vibration: I look forward to hearing them. In the best sense, Kurtág is Kodály's successor, the father—better perhaps, the father-mentor—of a new Hungarian school. Odd that he should be still so neglected abroad, and so little of his work recorded.

For the rest, the choice of works to represent the younger generation was a little disappointing. Of Zoltán Kodály (b. 1885), who had a programme to himself last year, we heard only the intelligent, rather dryly prescribed *Chamber Music* of 1973, and the premiere of a short piano piece, *Contrapunctus* (b. 1984), also presented just one work, *Pezzo d'orchestra*—an interesting but at the same time also rather self-consciously studied essay for string orchestra: less free in its development, less polished certainly in its impact, than his *Sorocut* for instrumental ensemble, or his fascinating set of *Improvisations for solo zither*. Bozay is one of the world's few virtuosi.

I was sad to miss the one new work of Kurtág's outstanding contemporary, András Székely (b. 1921)—whose *Transfiguration* and *Musica per orchestra*, both for full symphony orchestra, I found so stimulating last year. Of the new work *Sonorità*, played by the Symphony Orchestra of the Hungarian Radio and Television under György Lehel, I heard similarly encouraging reports. None has yet been performed outside Hungary (although *Musica per orchestra* is published by Eidos Musical Budapest). Once more: what are our London orchestras always short of decent new music to present at home, waiting for?

As a result of "administrative difficulties," the work of the New Music Studio and of its three leading lights László Sáry, Zoltán Jeney and László Vidovszki, was again this year omitted from the official festival programme—although Sáry did have one short piece for cimbalom solo performed on the second day. But with great humour, forbearance and charm, the Studio arranged an informal "fringe" series of out-of-hours recitals and tape-concerts for me and for some other visitors instead, to be described in a second article.

## Leslie Phillips back at the Duke of York's

Leslie Phillips, who played for years at the Duke of York's in *The Man Most Likely To...* will return there in a new comedy, *Roger's Last Stand*. This has been adapted by Peter Thwaites from a Dutch piece by Dimitri Frenkel Frank. Also in the company are Roy Kinnear and Dottie Cushingham. Opening date is November 3, with previews from October 29.

# One Scotch Whisky has the edge for smoothness. Can you name it?



HERE ARE A COUPLE OF CLUES.



# U.K. steel team completes visit to Japan

BY CHARLES SMITH, FAR EAST EDITOR TOKYO, Oct. 21.

PRODUCTIVITY IN the Japanese steel industry is three to four times as high as in Britain despite the fact that "no Japanese worker is working harder than his British counterpart," according to a joint mission of British Steel Corporation management and union leaders, who completed a week's visit to Japan today.

The mission, jointly led by BSC's chief executive Mr. Bob Scholey, and Mr. Bill Sims, general secretary of the Iron and Steel Trades Confederation, came to Japan to find out "how the Japanese do it" and, if possible, to draw lessons for the British steel industry.

Mr. Sims said Japan's example of building massive plants on sites reclaimed from the sea could not be followed to the letter in Britain, because of the far greater difficulty in the U.K. of persuading communities to move. But labour and management in the U.K. could try to aim at the "unity of purpose" which was a striking feature in Japan.

The U.K. could also benefit from adopting some features of the Japanese industry such as guaranteed employment for life and the provision of cheap and attractive housing facilities which had helped the Japanese industry to achieve its "elite" status.

Members of the mission claim, however, that they have procured more accurate data on the realities of the Japanese employment system—including the role of part time and contract labourers in Japan's steel industry—than any previous foreign mission.

Average wages in the industry, according to the team, are now running around £90 a month, compared with £50-£55 in the U.K.; but that leaves out of account some special benefits offered to Japanese workers.

Mr. Ed Linton, convenor of the

National Craftsmen's Coordinating Committee, said he had the impression that the Japanese steel industry was "based on a bowl of rice and a mat" before his visit. He and other members expressed "amazement" at the level of investment in major Japanese steel plants, and at the industry's standards of "house-keeping."

Features of the employment situation such as the provision of mortgages for Nippon Steel workers at the Kimitsu plant in Chiba prefecture were noted with some envy.

Mr. Bob Scholey, who described the difference between Japanese and U.K. steel productivity as "astonishing," said he felt the Japanese industry was based on an "obedient and passive" system whereas it was the aim in Britain to release the latent forces in each individual. He added, however, that European steel men should avoid picking on the Japanese when looking around for explanations of their own problems.

Japanese steel exports to the U.K., which have more than doubled during the first eight months of 1975, had expanded mainly because BSC was unable to meet home demand as a result of labour and other problems.

The members were emphatic today that they would produce a joint report giving a unanimous view of Japanese "lessons" for the U.K. steel industry, but there was no effort during this afternoon's meeting to conceal the fact that the two halves of the mission have differing views about what can be learned from Japan.

Management members emphasised the mobility of Japanese workers between different types of work, whereas union members felt an important aspect of the Japanese labour system was the lack of distinction between white and blue collar workers.

## Decline in trade with Yugoslavia

By Our Own Correspondent

BELGRADE, Oct. 21. ANGLIO-YUGOSLAV trade is declining both in value and in the range of goods exchanged, the Anglo-Yugoslav Trade Council reports after its annual meeting at Dubrovnik.

According to Yugoslav figures, 1974 exchanges were a record with exports reaching \$88.9m. or 1.8 per cent. of total Yugoslav exports and imports \$22.4m.

In the first eight months exports reached \$42.7m., compared with \$48.4m. last year. Imports were \$168.5m. (\$167.6m.). The deficit at end-August was therefore \$125m.

The Council agreed that such an imbalance called for action. It was decided that a delegation of British importers would visit Yugoslavia early next year to see what goods could be purchased.

The London Chamber of Commerce will also organise next January a seminar on Yugoslav trade and marketing in Britain. British Leyland expressed its willingness to increase imports of Yugoslav parts and components, and to buy food for its canteens, to enable its Yugoslav partners to buy more B.L. products.

In addition to the reduced value of Yugoslav exports, the range, too, has been narrowing. Last year there were 750 Yugoslav products on the export list, against some 350 this year. Also, no new joint ventures have been concluded. However, a joint venture is being negotiated between the Imperial Chemical Industries and the Yugoslav company Soda So. of Tuzla, and Interexport of Belgrade.

### Export Contracts

AGAR INSTRUMENTATION, Alresford, will make density meters worth £100,000 for Siemens AG, for the Port Sudan-Khartoum pipeline.

GENERAL DESCALING will provide £225,000 of equipment for the Baghdad-Basrah oil pipeline.

## Shipping conference system for Asia proposed by India

BY K. K. SHARMA

NEW DELHI, Oct. 21.

INDIA HAS for the first time taken the initiative to start a shipping conference system of countries in the region with which it has close trading links. The countries proposed to be associated with the conference include Burma, Bangladesh, Sri Lanka, Thailand and Malaysia.

A study group has been formed to pursue the proposal. The object of the conference is to break what is considered the stranglehold of some conference systems which have from time to time been arbitrarily imposing surcharges and freight increases on one pretext or another.

For instance, various conferences have imposed surcharges on the plea of congestion at ports. They unilaterally and arbitrarily decide which port is congested, the period of congestion and the time and extent of the surcharge.

Official sources say that port authorities responsible for berthing facilities and clearance of cargoes are not consulted, Indian shippers and shipping lines have no voice in the decision.

Indian shippers feel that international conferences, operating as cartels have been ignoring the general principle of international shipping that consultations should precede any freight increase or surcharge. One immediate effect of such surcharges is an increase in the cost of Indian exports and imports.

Another objectionable practice is that whenever there is a surcharge at a particular port, ships are diverted to other ports, and that leads to many problems.

### Air India

Air India has signed a financial arrangement for the purchase of its fifth Boeing 747, scheduled for delivery in December. Air India will pay \$4m. out of the total cost of \$40m. of the aircraft.

The U.S. Export-Import Bank will lend 40 per cent. of the cost, and other U.S. banks 35 per cent. The remaining 15 per cent. will, for the first time, be underwritten by Canadian commercial banks.

## Swiss-U.S. link on watches

BY JOHN WICKS

ZURICH, Oct. 21.

THE SWISS watch-case manufacturer Gramex, of La Chaux-de-Fonds, is to co-operate with Bundy Corporation, Detroit, in the production of watch cases for the U.S. market.

A joint-venture subsidiary, Gramex-American, will begin U.S.-based manufacture of high-quality cases next year, particularly to serve the fast-growing market for electronic watches. Until production begins, Bundy will market Gramex cases in the U.S.

According to figures published in Switzerland, Chinese watch production has been rising at a rate of 18 to 20 per cent. annually since 1960. Total output is put

at some \$m. for the current year, compared with \$7m. units in 1974 and \$7m. for 1973. In 1965 production was only 1m. units.

In the period 1972/73, yearly production growth is estimated at about 18 per cent.

### Contracts Abroad

K. RUETSCHLI, Brugg, a Swiss pump manufacturer, is to build ten pump units for Westinghouse Nuclear Europe for two nuclear power stations. The order is part of a Westinghouse project on behalf of a consortium of Belgian electricity companies, and is for mid-1978 delivery.

## ASIAN BUSINESS IN 1976

# Population growth a threat to alleviation of poverty

BY PHELP BOWRING

HONG KONG, Oct.

LORD ROBBINS said here today that the threat of population growth throughout the world had been responsible for the breakdown of the Bretton Woods agreement. While such a state of affairs persisted, he saw no near possibility of a return to stable conditions.

A former chairman of the Financial Times, Lord Robbins was opening a conference on Asian Business in 1976, organised by the Financial Times.

The oil price increase had caused additional problems and inflicted grievous damage on the poorer communities of the world. However, he was inclined to believe that the difficulties of transfer of resources had been exaggerated.

Lord Robbins saw the main obstacle to a diminution of world poverty as the rate of growth in population, which was likely to frustrate the best efforts of accumulation and investment and to involve a substantial reduction in income per head in many parts of the world.

Mr. William H. Sullivan, U.S. Ambassador to the Philippines, also drew attention to the problems of introducing family planning. The best was apparent, he said, from the fact that the populations of Asian nations would reach 500m. by 2000, or more than double the current 230m. Given the shortage of utilised arable land, the Asian countries were confronted with economic survival as much as development.

Emphasis in development needed to be placed on agriculture, including irrigation, to make it possible to grow three crops a year; on land reform; on provision of rural banking and credit facilities; and roads to markets.

Speaking for Malaysia, Datuk Tahir bin Mahmud, Minister for General Planning, Information and Special Functions, went out of his way to emphasise that foreign investment continued to be a major factor in Malaysia's development objectives. As if to wipe out any doubts that the Petronas affair earlier this year may have created in the minds of investors, he declared: "We have and will continue to woo, invite, encourage and seek new foreign investment. Let me state in the most emphatic terms

that within the ambit of the New Economic Policy we continue to see a major role for foreign investment."

Foreign capital inflow into Malaysia in 1975 would total about \$M900m. (\$112m.), second only to the \$M900m. (\$171m.) of 1974, the Minister stated.

He expected economic growth in the current year to be about 4 per cent in real terms. Although "way below normal" that would be no mean achievement by international standards. He looked forward to 1976 with "hope, confidence and a sense of challenge."

Mr. Julius Chan, Papua New Guinea Finance Minister, took a rather more qualified attitude toward foreign investment. It was needed, he said, to turn "potential into real wealth" and to contribute to greater financial self-reliance for Papua New Guinea by reducing dependence on aid. But any excess profits from resource ventures "must flow to the people through the Government."

He pointed to the new agreement last year with Tonga for Copper, which gave the company "a very adequate return" while retaining "excess" profits from high prices within the country. He also pointed, with a sense of achievement, to the Government's Mineral Resources Stabilisation Fund by which extra revenue gained when copper prices were high were held for use when prices—and hence Government income—fell.

Both in the context of the need for stable conditions to attract investors and the domestic needs of economy, Mr. Chan emphasised his determination to pursue a "hard currency" strategy in relation to the Kina (the country's new currency).

We are aware that it requires restraint, but we are determined to avoid the spiral, found in some developing nations, of devaluation followed by more devaluation, followed by more inflation.

This gains the country nothing and costs it a good deal, in terms both of instability and of the necessity for attempting to impose rigid exchange control, which creates distortions and discourages activity."

Mr. Chan said he did not think that "modern sector development by itself will lead to a broad based improvement for the

majority of the people. The heart of our development problem therefore lies in the area of improvement."

He described his aim in taking the conference to put independent Papua New Guinea "on the map" of international affairs. He did so with a "gent and sensible speech."

Mr. Sullivan felt that developments in Indo-China had to "slow down the" towards economic co-operation within ASEAN, as members did not want to appear to "go against" the Indo-Chinese.

However, for Mr. Tang, a Singaporean industrialist, president of Wah Chang National Corporation, there was "considerable urgency" to increase Asian economic operation if the standard living of the rural population were to be raised.

He urged the establishing of an Asian free trade area which would create the large markets and therefore equally large-scale investment needed to increase the economic growth above 10 per cent. seen in the recent years.

"We may expect that as a free trade area develops for Asian business is made, there would be a mass inflow of investments to these countries and development should be left as far as possible to private investors."

While Mr. Tang warmly to the example of New Zealand-Australia free agreement, Sir Robert N. Chief general manager, New South Wales, said that the agreement "has a increasing criticism in country in recent years of the unbalanced flow of He considered, however, such differences were within the wider context of Pacific and Asian affairs."

Sir Robert gave a warning for Australia the temptation to be too much laid on the relationship Japan, and in extending it to a three-way relationship the U.S., with Canada and New Zealand as other members of "a rich man's Pacific."

That "weakness" was Page 8.

# Some calculators give you the wrong answers to three basic questions.

Q. Who's behind the name on a calculator?

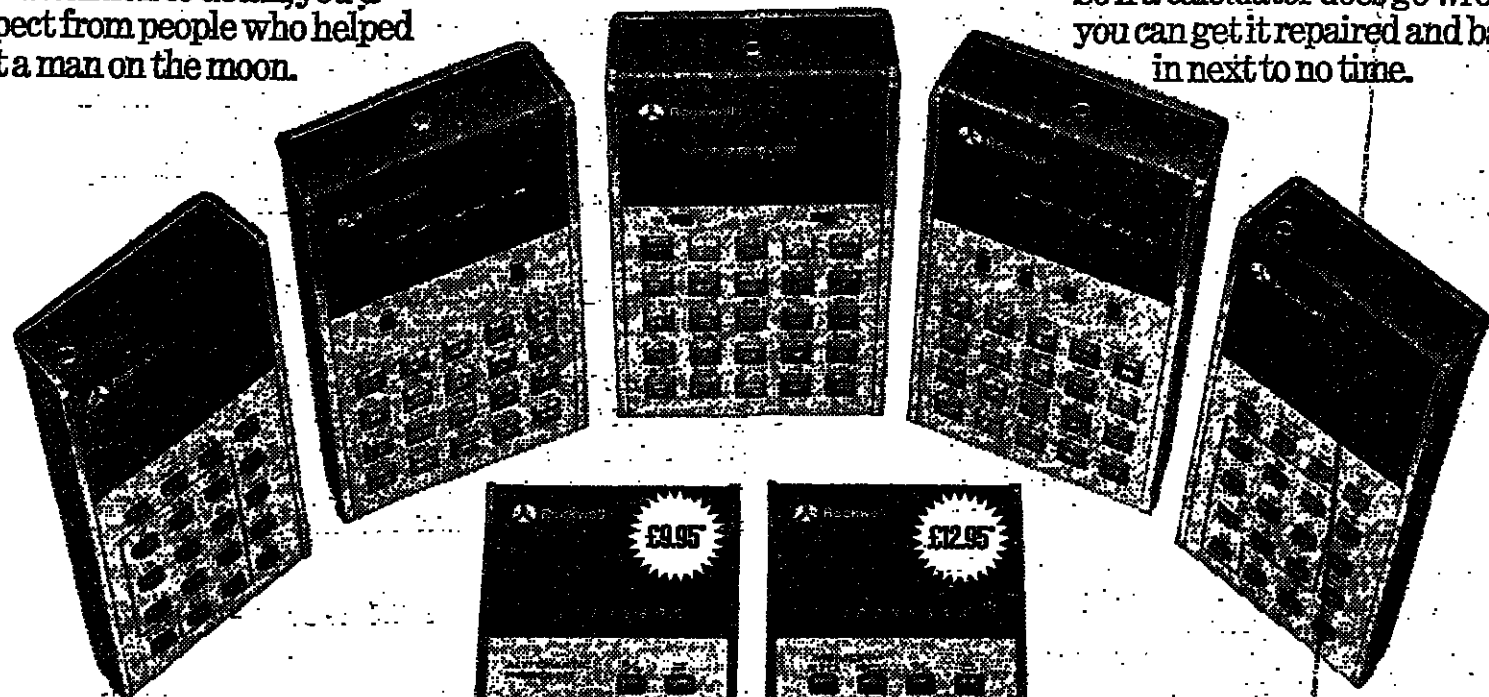
A. It's possible the names on a lot of calculators won't mean a great deal to you. If that name's Rockwell, however, you know it's got the backing of an international company. A company that build their calculators with the care and attention to detail, you'd expect from people who helped put a man on the moon.

Q. How good is its guarantee?

A. Rockwell aren't the only people to give their hand-held calculators a full year's guarantee. But they are among the few who will unconditionally replace any of them that go wrong in the first 30 days after purchase, with a brand new machine.

Q. What do you do if a calculator goes wrong?

A. If it's not a Rockwell, it could mean hunting around to find a suitable service centre, sending your calculator away and then waiting days or even weeks for its return. Rockwell have service centres throughout the U.K. So if a calculator does go wrong you can get it repaired and back in next to no time.

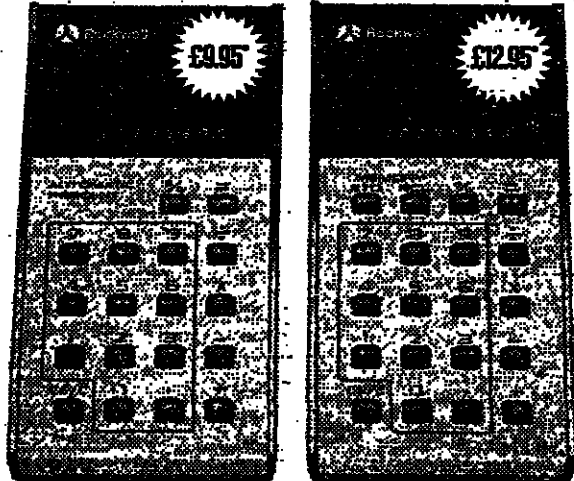


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high standards and has the additional feature of an independent memory.

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memory at £15.95. The 30R basic slide rule at £17.95. The 51R universal calculator with two memories and pre-programmed conversions at £39.95. And the 63R scientific calculator with two level parentheses and scientific notation at £44.95 including charger.

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## Caricom urged to set up 'safety-net' to finance payments deficit

BY OUR OWN CORRESPONDENT

GEORGETOWN, Oct.

MR. ALISTER MCINTYRE, secretary general of the Caribbean Community and Common Market, has urged the 12-member regional economic grouping to set up a Caribbean safety net for financing balance of payments deficits of member states.

He told Caribbean central bankers here that the scheme should be based not merely on a partial pooling of reserves by member states but also upon joint guarantees of external borrowings. That money could then be re-lent to deficit territories in the region, as well as to surplus countries, authorising the sale of securities on their financial markets, with the proceeds to be on-lent to deficit countries.

Mr. McIntyre disclosed that such a scheme had been devised for Latin America by a group of experts. He suggested that Caricom give close study to a proposal entitled "possible features of a financial safety net for Latin America," and explained that it was possible to establish a Caricom scheme as a first step to participating in the wider Latin American arrangement.

He reported also that the OPEC 10 per cent. oil price rise, coupled with continued soft markets for several Caribbean exports and declining tourism, meant that 1976 would be another year of difficulty for the Caribbean. The region's response should be to accelerate efforts not merely to deal with the damage suffered over the past two years or so, "but also to take account of the difficulties which might be experienced during 1976."

Mr. McIntyre proposed the Caribbean safety net as part of a three-point suggestion for common or joint Caricom action to counter the economic crisis.

The package also included reducing non-essential imports to save foreign exchange for investment, and co-ordinated action in the field of exchange rate arrangements.

He was severely critical of the consumption patterns of the region as a whole, although conceding Guyana's efforts to create "functional patterns of consumption." He noted that by 1971 the East Caribbean Common Market countries had recorded a consumption expenditure rate which

was 105 per cent. of the GDP. Mr. McIntyre disclosed that the secretaries before the end of 1975, would present the government with a package of joint projects containing proposals for financing and a timetable for implementation.

Work was also progressing on a regional perspective plan, he stated, and called for a parallel financial plan.

Mr. McIntyre attacked the tendency towards unilateral categories of payment

action in monetary and financial matters in the region, at the adverse effects while action of one country could on another or on the entire movement as a whole. He the central banks to a catalytic role in the inter movement, with expenditure on such matters introduction of a Car travellers' cheques and harmonisation of

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## EUROPEAN NEWS

# Moro coalition faces new strains from within CD

BY ANTHONY ROBINSON

ROME, Oct. 21

THE ABILITY of Prime Minister Aldo Moro to keep a government in being is becoming increasingly problematical as the internal faction fighting within his own Christian Democrat party reaches new heights of bitterness and the Socialist Party debates the wisdom of supporting a Government over which it appears to have less influence than the Communist Party.

Sig. Moro formed his two-party minority coalition Government with the Republicans last November. It was formed in extremis after a six-week Government crisis and has survived both the traumatic impact of the June 15 elections and the fierce leadership struggle within the CD party which culminated in the downfall of Amintore Fanfani and his replacement as party secretary by Benigno Zaccagnini who, on election, set about reforming the CD party by trying to reduce the power of the various factions and giving a new image of efficiency and honesty to the party.

The results of his endeavours emerged last week-end when he managed to push through a reshuffle of top party posts which led to the removal of Naples party boss Antonio Gava and a realignment of top jobs in the name of efficiency. This drastically reduced the power of the Doroteo, Andreotti, Colombo and Fanfani factions and shifted power in the party in favour of younger Left-wing leaders.

It is a move which appears to have been well received by the base of the party crying out for a more democratic, homogeneous party structure and by Sig. Moro who is a close personal and political friend of Sig. Zaccagnini. But it has infuriated the old guard of the party who are pressing for the promised party Congress to be brought forward in order to reassert their position, a situation which threatens not only Sig. Zaccagnini but also the Government of Sig. Moro which could hardly hope to survive another leadership struggle of this nature.

The division of opinion within the CD is also mirrored within the Socialist Party. Since November the Socialist Party (PSI) plus the Social Democrats (PSDI) have been supporting the Government in Parliament without taking part in it. The Socialist Party Government acts. This reflects the PSI's fear of a Government of the Communist Party. The PSI's Secretary Francesco De Martino, at last week's central committee meeting was to convene this support as long as the Government managed to keep negotiating successfully with the trade unions seeking higher pay, improved conditions and reform of the public sector—including the railwaymen, post and telephone workers, teachers and others. But it underlined its belief that the Centre-Left

formula is dead and its determination not to re-enter the Government unless the Communist Party is linked with the Government majority in such a way as to make it not only a powerful influence on Government policies as up to now, but also publicly responsible for the Government acts. This reflects the PSI's fear of a Government of the Communist Party. The PSI's Secretary Francesco De Martino, at last week's central committee meeting was to convene this support as long as the Government managed to keep negotiating successfully with the trade unions seeking higher pay, improved conditions and reform of the public sector—including the railwaymen, post and telephone workers, teachers and others. But it underlined its belief that the Centre-Left

## Spain in disarray as Sahara trek starts

By Roger Matthews

MADRID, Oct. 21

THE SPANISH Cabinet, p into the crisis presented serious illness of General I to-night cancelled an emergency session to deal with the situation in Spanish Sahara. Some Moroccan civilians are on the region bent on over.

The Spanish Government already dispatched a Minl hold direct talks with Mo King Hassan and called to for Foreign Office consul all of its ambassadors to countries.

They are understood to been asked to use joint matic pressure to get Hassan to call off the ma. No definite orders have given to the Spanish at the Sahara about their ri to the Moroccans, but hof the UN would intervene least favour. Spanish have diminished, leading sources here to fear it situation is becoming pot more explosive.

The Spaniards say the minefields on the bord clearly marked but that groups, such as the A sponsored Frente Polis pro-Moroccan factions, ha busy planting mines. It is feared that the de even a few of the marcher be used as a pretence for intervention by Morocco. It is said, might be Algeria.

Reports reaching Madri El Aalun, the Spanish capital, say the atmosp tense but calm. The pro party, PUNS, claims thousands of men ready to the marchers but wants to the army. The entia of the Spanish Sa only about 70,000, many nomads.

However, the fact that Jose Solis, the Spanish responsible for Spain's or mitted political organisat National Movement, was Morocco for talks, is as tion that Moroccan pres beginning to pay off.

The Spanish positio always been that it w grant independence t Sahara but not to deli country to a third party. James Buxton, repes Kaar es Souk in Moroc the Spanish Sahara's King Hassan's march of civilians into Spanish got underway to-day as people left this town in for the border. Another 100,000 to-morrow, days time, with only Bri night stops, they are e to reach Tarfaya, the town 700 miles away. Me other contingents, whic total up to 350,000 peop other Moroccan cities, ar ing.

The marchers will con in accordance with a str table and should cro Spanish Sahara on Tuesd. Watching the convoy of buses and Land Rovers outside this town and Atlas Mountains, one is little doubt that the m aroused genuine eni among Moroccans.

It is by any standat organised—almost certai result of long planning, 400 lorries, each carryin 50 men, were lined u decked with the red M flag. The men cheer chanted slogans continou The 40 lorries marcher ha assembling for two days parts of the southern re Morocco, having enrole last Thursday when King made his announcement. With the marchers are teams, breakdown repair v lorries carrying too fuel. There were also buses full of women. Most lorries have been requi while the support vehic been provided by Govei agencies.

They are staffed by who claim that they in their orders only aft King's speech.

But it is clear from the of planning and the mass plies, including drugs, ha been assembled that the of the march were work several months ago and t preparations involved larg bers of officials. Ho whether the preparations fact be adequate for the of marchers remains to be Meanwhile, Saudi Arab pleaded participation in the march and the United Emirates, Uganda and Can have cabled support.

## More violence in Oporto

LISBON, Oct. 21

VIOLENCE HT northern Portugal again to-day. A Communist bookshop in Oporto was bombed, and Conservative Centre Democrats (CDS) said a petrol bomb was thrown at their offices in Leiria, south of Oporto. No one was hurt.

With both the Left and Right issuing warnings about possible

civil war, President Costa Gomes has proclaimed an amnesty until the end of the week to disarm the civilian militias that have emerged during 18 months of revolution. But according to the security forces, not one weapon has been surrendered. Reuter

## Portugal purges civilian governors

BY JANE BERGEROL

LISBON, Oct. 21

FOUR OF Portugal's civilian Governors were purged to-day, in a first step by the Socialists and Popular Democrats in the Sixth Government to restore equilibrium in key national posts, and remove leading members of the Popular Democratic Movement (MDP) from domination of local government.

All four Governors are members or sympathisers of the movement, a party close to the Communists which won only 4 per cent of votes cast in the April elections and was used by the Communists as a means of consolidating control over local government. They controlled the cities of Lisbon, Faro in the Algarve, Braga in the north and Castelo Branco in the north-east. Their successors are to be named to-morrow and are widely expected to be Socialists or PSD members.

Protests from the left are mounting against the dismissals, for which no reasons have been given as yet. Meanwhile the Soldiers United With Win (SUV) rank and file Army organisation is stepping up a campaign of demonstrations this week joined by a new sister organisation Waters United With Win (TUV). Tonight they are to demonstrate at the Catholic radio station transmitters, under guard by only a handful of police following the station's closure by the Government over a fortnight ago.

Portugal remains gripped by coup fever, with conflicting reports of an imminent leftist coup and of rightist coup attempts both being linked to Angola's forthcoming independence on November 11.

While there are as yet no public indications from military sources of evidence uncovered to support either theory, the rumours multiply and military intelligence sources have privately indicated they are in possession of documents offering proof of a rightist thrust, linked with Angolan refugee circles. There are already more than 200,000 homeless and virtually penniless Angolans in Portugal with a further 50,000 expected over the next three weeks.

Reports of mercenaries engaged in the Zaire-based National Front for the Liberation of Angola (FNLA) now include evidence that some are former Portuguese Air Force pilots. Air Force sources said. Faced with the increasing rumours and general instability, attempts are being made to

PORTUGAL will receive "urgent financial assistance" from the EEC of about \$200m. by the end of November, the Common Market negotiating team in Lisbon announced yesterday. However, our Lisbon Correspondent writes, there seems to be little prospect that the country will be able to enlarge its trading with the EEC to export more tomato paste, textiles and wines to the Nine—something the Portuguese regard as more vital to their economy than an injection of cash, however welcome that may be.

patch-up the tense relations between the Communist and Socialist Parties here. This afternoon, in an apparent bid to regain his stature as Portugal's leading political figure, President Costa Gomes called the leaders of the Communist and Socialist, Dr. Alvaro Cunhal and Dr. Mario Soares, into talks on the political situation, accompanied by two leading Armed Forces officers, the pro-Goncalves Commander Contreras and the Group of Nine officers' spokesman Captain Vasco Lourenco.

The President, now distrusted by all political parties in Portugal, has lost much of his reputation as Portugal's key statesman to the Prime Minister, Admiral Pinheiro de Azevedo. But this afternoon's talks, while bringing General Costa Gomes back into the ring, are also designed to sound out the possibilities of closer co-operation between the two bitter rivals on Portugal's left. The Communist Party is known to be pressing for the exit of the Popular Democrats from the Sixth Government, and inclusion of some extreme leftists.

Parliament Page 16

## Turkey-U.S. talks to start

BY METIN MUNIR

ANKARA, Oct. 21

FOREIGN MINISTER Isen Sabri Caglayangli to-day announced that Turkey and the United States will open talks on the re-opening of the American bases in Turkey and indicated that his Government is willing to discuss territorial concessions in Cyprus.

The 28 bases, closed last July in response to the Congressional ban on arms supplies to Turkey, would not be re-opened immediately, Mr. Caglayangli said. He added that a message has been

sent to President Ford, laying down two conditions which must be met before the bases can be re-opened. First, he said, an agreement must be reached over the establishment of "sound principles which would ensure a stable balance between mutual responsibilities and obligations." Second, agreement must also be obtained for "the provision of a defence support adequate to meet the requirements of the Turkish Army."

## French price control battle

By Rupert Cornwell

PARIS, Oct. 21

THE BATTLELINES have been drawn up for another instalment in that longest-running of French domestic arguments between an inflation-conscious Finance Ministry on the one hand and the country's militant shopkeepers and small traders on the other.

Opening the Budget debate in the National Assembly this afternoon, the Finance Minister, M. Jean-Pierre Fourcade, announced a strengthening of existing controls on margins, above all for imported products whose lower prices have not been passed on. M. Fourcade, who, right through the economic recession has never concealed his view that inflation was a bigger long-term problem, has galaxed support from the latest trend of prices in France. Although the recovery has barely started, early evidence suggests that September will have witnessed a significant quickening of inflation

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## Bundesbank criticised by court on Herstatt moves

FRANKFURT Civil Court has criticised the Bundesbank's action in saving Bankhaus Herstatt from liquidation, saying it was an unfair advantage over other banks when the rescue was carried out.

### lanation

A written explanation of its action provided to the court, said the Bundesbank, was that it was the only bank to have Herstatt in the four prior to closure.

It gave them an unfair advantage over other banks to their positions with Herstatt, he said, and broke down.

Bundesbank knew of the unsoundness of Herstatt's position since June 26, when the Federal Credit Agency and the Bundesbank had been taken over by other banks from this, said.

The secrecy seemed to be because several million marks were paid to Herstatt accounts on that day, large part being prepay on foreign exchange.

fact the Bundesbank kept Herstatt's closure partially open, was not compatible with its role in the clearing of such far-reaching consequences, the court said.

Bundesbank had a clear duty to warn banks

involved with Herstatt of the impending closure. Such a warning without any doubt would have prevented Hill Samuel's being damaged by an unexpected deal on June 26, the court said.

It said it must presume the Bundesbank had no significant reason to offer for not giving a warning as the central bank failed to give a reason to the court.

Bundesbank president Karl Klassen said last month the Bundesbank would appeal against the court's decision.

Hill Samuel's lawyers said the Bundesbank failed to exercise due care by closing Herstatt too late. It had not fulfilled its legal duties towards the banks that took part in the daily foreign exchange clearing operation in Frankfurt.

Against this the Bundesbank argued that the strict deadline for reporting deals for completion was one day was 13.30 hours. Any transaction after that was irrelevant for clearing purposes.

The court ruled that the central bank should have done more to inform the public of the clearing of the trust and good faith of all participants in the clearing. It rejected the 13.30 deadline as a technicality.

The court also rejected the Bundesbank's argument that it only has a technical function to supervise the clearing operation. It said the Bundesbank organised the clearing, took part in it under banking law as a legal participant and therefore had certain duties to fulfil.

By 14.00 hours at the latest on June 26 the Bundesbank knew the rescue talks had broken down, knew Herstatt's losses could be as high as DM620m, and knew the type of deals Herstatt

had been carrying out, the court said. However, the Bundesbank only announced the closure at 15.30 and formally told Herstatt at 16.15 hours. The central bank could have prevented damage to Hill Samuel by acting earlier, it added.

Backgrounding its judgment, the court said an internal book-check at Herstatt on June 10 last year showed a DM100m loss on foreign exchange deals.

Further checks by the bank's management up to June 15 showed the losses had risen to between DM90m and DM620m. The Bundesbank was told of Herstatt's losses by the chief Herstatt shareholder, Herr Hans Gerling, on June 22, the court said.

### Rescue talks

Then the rescue talks began. The Bundesbank denied its directorate knew by June 10 the extent of Herstatt's losses. Even though losses turned out to be DM1274m.

Guy Hawtin writes from Frankfurt: The Bundesbank was informed that Herstatt had gone against them on September 11. However, the court said it would take some time to produce its argument for finding against the central bank.

Immediately after the judgement the Bundesbank announced that it would appeal but said it would have to wait until written judgement was given before it could decide on grounds for the appeal.

The judgement has also been seen as a warning to other banks who believe they have claims against the Bundesbank. It is on the Hill Samuel test case that they may base suits of their own.

inviting the smaller Community members. In what may be an attempt to further split the Community on this question, the Government has told the West Germans at least that it would have no objections if they were to seek their own separate seat.

The outcome is unlikely to be known until shortly before the conference opens on December 16.

## MARKS AND SPENCER ON THE CONTINENT

# Turnaround on the boulevard

BY ELINOR GOODMAN

MARKS AND Spencer seems to be over the worst in Paris eight months after opening its first continental store on the Boulevard Haussmann. During the long, hot summer there probably were fewer French customers in the Paris store than there were in the Marble Arch branch in London, but Marks is now understood to have been making a small net profit on sales in Paris for the last five weeks.

The feeling within the Continental management now is that if turnover can be kept above its present level of around £120,000 a week for the rest of the year, the store will make a small profit on sales for the year, the losses suffered between April and August being offset by profits made in the second half—assuming, of course, a good build-up to Christmas.

It was these recent sales figures which enabled Sir Marcus Sief, chairman of Marks and Spencer, to say in London yesterday that he was "encouraged" by the start of the Continental stores.

The accompanying statement that the operation was not yet trading profitably will hardly come as a surprise to either Marks' French competitors—who would generally be delighted if one of their own stores made a profit within a year—or to anyone who visited the French store in August. The annual summer emigration of the Parisians meant that compared to its triumphant opening in February, when the store took almost £200,000 in its first week, the place was like a morgue in August. Turnover was down to around £80,000 a week.

The turning point came in September, when the Parisians returned to the city and started pushing the turnover figure up above the break-even point of around £85,000 a week. Moreover, the August sales through the far from welcome, had given the management time to sort out the problems of the computer stock link with London.

The link, which was virtually out of action for six months, is now working, easing the very serious difficulties

Marks had with stock replacement in the early months. The picture, in other words, is from tradition, but an important one given the fact that customers might have to travel 100 miles to exchange an unsatisfactory garment—and a small food department.

At present Marks is selling wine in Lyon at around Frs.5.50 a bottle, but experience has indicated that this is a bit like taking costs to Newcastle. Wine is likely to be dropped to give more space to products like tea and biscuits which French customers expect to find in a British shop. A limited range of foods

Mark has been able to put in of styles available. Similarly, changing rooms—a departure after a fashion show in Lyons last week, spectators were saying that some of the clothes were rather boring—"too sensible"

was how one woman described them though there was loud applause for the range of kilts. The "quality message," says Marks, will only really get through after people have worn the clothes for six months and found that they do not fall apart at the seams. French retailers

French women want to wear the same clothes season after season. Marks admits that getting the

Paris to help sort out the merchandising. Costs, for example, are selling beyond all expectations.

Stock replacement, coupled with inexperience of the French market has, in fact been Marks' biggest problems—apart from the shop being basically on the wrong side of the road. Not knowing what the big sellers would be, the company did not have the necessary backup stock. The management could not, for example, get enough stocks of flared trousers while straight-legged trousers languished on the rails, disdained by the average fashion-conscious Frenchman.

Moreover, whereas Marks had hoped to move stock between France and the U.K. in under 10 days, in the event it took between three to five weeks. At the same time suppliers, conditioned to giving over-riding importance to orders from Marble Arch and other big English stores, tended to put orders from Paris at the bottom of the pile, particularly if it meant making up to a longer length of skirt than was required for Britain.

But, as Marks repeatedly point out, it would be unusual for a British store to be making a profit within nine months of opening. The Paris shop is already taking more per square foot than a store of its size in Britain, though of course, the overheads are considerably higher. The devaluation of the pound against the franc has helped Marks in so far as its prices are concerned. Prices—always competitive with those in French multiples—were around 40 per cent above those in Britain as a result of higher value added tax, staff costs and transport. Now, the devaluation has brought the differential to nearer 30 per cent.

Marks still insists that the three Continental stores are only seen as pilots. But, as far as the French property world is concerned, at least, there is little doubt that it will expand elsewhere in France.

is also likely to be introduced in Paris during the next few weeks (taking over the fixture currently occupied by the slow-selling range of children's shoes). Lack of space in the Boulevard Haussmann means that the company is unable to instal changing rooms in Paris. The French, however, are remarkably uninhibited about changing in public and last week at least three women were trying on dresses in the shop.

But if the French are not too worried about the lack of changing rooms, they have not yet grasped the full meaning of the much advertised Marks and Spencer "shopping revolution."

Nor, perhaps, has the Marks management quite come to terms with the tastes of the French shopping public.

For the French, the word "quality" on which Marks has traditionally put so much stress, tends to imply the quality of the cut rather than the quality of the fabric. Though women could last week be heard in the store expressing surprise that "pure wool" skirts should be offered at such reasonable prices, some seemed a little disappointed by the styling and the limited range

merchandise mix right has not been without its difficulties. To begin with the company was misled by the band of loyal ex-patriot British customers who flocked to the store in February. The local management based their new stock requirements on what had sold well in the first few weeks and then discovered that while expatriate British women might still be happy to show their knees, French women, who were to form the majority of the customers in the longer term, were not.

In some respects, however, the French customer's reputation for wanting more distinctive clothes than her British counterpart has proved to be something of a myth. Some of the clothes, designed specially for the French market, have proved to be among the slowest sellers—bright yellow sweaters for men, for example, were among the lines which ended up on the cut-price counter in the summer.

Conversely, some of the biggest selling lines in Marble Arch emerged as the biggest sellers in Paris—a fact elicited by the former assistant manager of Marble Arch who was sent to

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## J.K.-EEC split on oil pricing

MALCOLM RUTHERFORD

QUESTION of a minimum for oil is the main sticking point in the argument between the Community and the rest of the EEC. Community over representation at the forthcoming inter-producer dialogue. The Government believes that it is unlikely that it will be able to get its own seat at the conference, and it may be that support for the British will come from within. It is firmly decided, however, that OPEC support has been solicited.

Government is ready to seeking a joint Community position for the conference in various working groups that have been established, but it is that any agreement on oil be so vague that it have to have its own representation as well as the Community, some not.

tempts to find a compromise

have so far scarcely even begun. The eight other Community members are still insisting that the Community must sit as one, but Britain has replied that it can veto any such decision.

Britain is also countering charges that its behaviour is "un-European" by pointing out that France and Germany had no qualms about agreeing to an economic summit with Japan and the U.S. without consulting or

inviting the smaller Community members.

In what may be an attempt to further split the Community on this question, the Government has told the West Germans at least that it would have no objections if they were to seek their own separate seat.

The outcome is unlikely to be known until shortly before the conference opens on December 16.

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## Regional Fund revelations prompt French protests

BY ROBIN REEVES

BRUSSELS, Oct. 21. FRENCH sensitivity to pressures for regional autonomy has led to an angry protest to Brussels over the handling of the first handouts from the EEC's new Regional Development Fund.

M. Jacques Chirac, the French Prime Minister, has formally protested to the European Commission for publishing the breakdown of the spending from the EEC Regional Fund in the different parts of France. Commission and French officials met here to-day to try to iron out the differences, but the outcome was described as "inconclusive."

Under the first distribution of Regional Fund cash announced last Friday by Mr. George Thomson, the British Commissioner responsible for regional policy, the Commission's figures show that the money going to each of 22 French departments amounts to a total of 21.9m units of account (Ecu).

The Commission is planning to give further details of the first handouts to individual countries later this week and some information will be withheld on the grounds of commercial secrecy for which strict rules have been laid down in the Rome Treaty. This aspect is understood to be particularly worrying the Danish Government when it involves grants towards private industrial investment.

However, the protest from M. Chirac makes it clear that France is objecting to the Commission's administrative machinery.

Reuter adds from Brussels: Mr. Stanley Orme, British Minister of State for Northern Ireland, to-day asked the EEC for more aid from its Regional Fund for the troubled province.

He told journalists after a day-long visit to Brussels that he had informed Regional Policy Commissioner George Thomson that the £1.2m granted from the Fund last week was not enough to be really effective in fighting N. Ireland's economic decline.

Mr. Orme said, however, that the first pay-outs from the Fund were a positive development for Northern Ireland, which is heading into a major economic slump

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## Greater union planned by Benelux group

By David Curry

BRUSSELS, Oct. 21.

WHILE THE nine-nation Common Market struggles to overcome a rash of inter-member disputes, the mini-common market which occupies the northern corner of the EEC is in good shape and ready to talk about integration.

That was the message which emerged from a two-day summit meeting of the governments of Holland, Belgium and Luxembourg—the Benelux union. The summit, the first for five years, decided on a closer liaison of policies over a wide field of activities embracing industrial, economic and environment policy.

Two specific undertakings were agreed, both in the field of fiscal harmonisation. The three countries have promised to get a date in January for the harmonisation of excise duties and have also promised to rid themselves of frontier formalities concerning VAT payments for journeys within the three countries.



## OVERSEAS NEWS

The guerilla war for Eritrean independence from Ethiopia is at a pitch. Gwynne Roberts trekked 500 miles into rebel-held territory. This is the first of his reports.

## Marching on Marx and millet

ERITREAN secessionists are fighting for their independence in a war which—if they are successful—could result in a Marxist regime gaining control of a strategically important stretch of Red Sea coast. The struggle against the Ethiopian Government is being carried out by a guerrilla force which is desperately ill-equipped but fervently believes in the cause of Eritrean independence and the ideal of a Marxist society. The outcome of the conflict may depend on the new weapons from Iraq and Syria now being supplied by dhows across the Red Sea.

Without new arms the guerrillas may be unable to prevent the destruction of the crops growing on the Eritrean Highlands which they need to sustain themselves. It is a critical moment in the contest between the Eritrean liberation movement and the new rulers in Addis Ababa, whose commitment to the unity of Ethiopia is no less complete than that of the late Emperor Haile Selassie.

The war centres around the provincial capital of Asmara where some men of the Eritrean Liberation Front and the Popular Liberation Front, which I estimate to total as much as 25,000—are faced with an Ethiopian Government force of some 20,000 backed by tanks, motorised units, and air power including Canberra, F5A and F58 jets.

The civil war has been going on for 14 years but it reached a pitch of unprecedented ferocity in the past nine months. The scene around Asmara is one of utter devastation. Villages have been devastated by aerial bombardment and the fighting on the ground. Their inhabitants have fled to the areas controlled by the Eritrean Liberation Front (ELF) in the hinterland leaving behind clusters of deserted settlements. The sole occupants of these villages are now the Eritrean guerrillas. Every day jet fighters following in the wake of spotter aircraft swoop over these villages bombing and strafing them. The ELF is virtually powerless in the face of these attacks. Its sole anti-aircraft gun appears to be an antiquated Dushka heavy machine gun.

The ELF claims that civilian casualties have totalled more than 3,000 this year. The figure appears high. But what is clear is that many hundreds, if not a few thousand, civilians have been killed either by bombing of villages in ELF areas by the Ethiopian air force or during the heavy fighting. There is a good deal of objective evidence to back up ELF claims that many have been massacred by Ethiopian troops. The guerrillas own casualties, it is claimed, run into thousands, but these claims are virtually impossible to verify.

Food supplies in the main battle zones are near exhaustion, and as I left the area ten days ago, a battle for the vital maize, millet and wheat crops in the Eritrean highlands was about to break out. Eritrean intelligence believed that the Ethiopian high command was preparing to bomb and burn the crops in an effort to force the guerrillas to operate in a desolate and foodless region evacuated by a civilian population which so far has provided unqualified support for its troops.

Vast camel trains bearing food supplies trek hundreds of miles from the Sudan across the desert to force the Eritrean lowlands and up into the mountain plateaus around Keren and Asmara.

Far manna to get through. Arriving at the front-line near Asmara last month, I learnt that only 60 camel loads had reached the guerrillas there in the previous six weeks—quite insufficient to feed properly the force battling there against the main thrusts of the Ethiopian Army.

The guerrillas lead a hand-to-mouth existence eating millet bread or just unsalted potatoes. Their diet is supplemented on rare occasions from the cattle rustled from farms near Asmara. They have no tea, sugar, salt, or milk. The chief reason for this shortage is the Ethiopian Government food blockade imposed this summer which made it hazardous for ELF supporters to smuggle food from the main Eritrean towns and cities. It was a luxury to share a chicken between myself and two others for three days. Both the ELF and PLF have sent troop reinforcements into

the Asmara region, although the former are predominant there. They have deployed their Dushka machine-guns—the heaviest weapon that they possess as yet—around the main crop regions where their senior commanders are taking over military operations to counter the expected all-out attack by Government troops. Militarily the two movements are now co-operating closely, having been fighting each other as recently as last

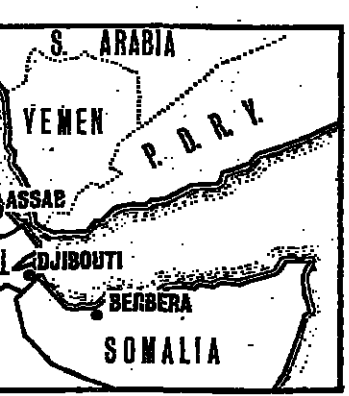


November and plan a complete merger of their forces within the next two months.

At the same time the guerrillas are laying virtual siege to the big cities. Asmara is being supplied by air and large army convoys pushing their way along the major roads to Agordat, Keren and Massawa are constantly ambushed, often halted and only occasionally break through. The guerrilla squads operating in this area are small but flexible and operate with limited supplies of arms. Many units have no radio communications. But with any new influx of arms, it should do well within their capabilities to isolate the major Eritrean cities on the ground. With portable SAM-7s in their arsenal, even air-lifted would become hazardous for the Ethiopian Air Force. At present the rebels are making nightly raids inside Asmara, attacking troops, camps and the airport.

The key to the coming battle may lie with the new arms consignments currently being shipped across the Red Sea from South Yemen (PRY). These

weapons originate in Syria and Iraq and are being moved down to Aden, there they are put on dhows and land along the remote Eritrean coastline. They are then loaded onto camels and transported inland. The ELF hopes that these supplies will change the tide of the war in Eritrea. They are said to include anti-aircraft guns, anti-tank weapons, and some portable SAM-7 missiles which were so effective against the Israeli Air



Force during the October War. Late last month the guerrillas were still awaiting their arrival.

"We have information that these new weapons are beginning to arrive," a commander told me. "We are like a thirsty man waiting for water." The Arab connection could be crucial to ELF hopes of success. So far Syria, Iraq and South Yemen have provided the chief political and financial backing, although it is still limited in scope. The Arabs see this as a predominantly nationalist and Muslim movement whose military success would give them control of an important stretch of the Red Sea coastline. In reality the situation is more complex. The Eritrean secessionist movement is essentially a Marxist-orientated one whose leadership is trying to play down religious, ethnic, and cultural differences which have split the ELF in the past.

I travelled for 500-600 miles with the ELF rebels to Agordat, Keren, and Asmara and there is clearly massive popular support for the fight for independence. Ethiopian troops have lost all local sympathy by their

brutal treatment of civilians. Local villagers live in constant fear of approaching Ethiopian troops and flee to the mountains. It became clear that the Ethiopians are regarded in most regions as a hostile, occupying force. Equally apparent was the fact that the Ethiopian forces often equate civilians with the ELF and frequently appear to make no distinctions when it comes to exacting reprisals after battles with the guerrillas.

"I was sitting under a tree on the road in Keren and I saw nine army lorries drive past," a 40-year-old villager told me in early September. "On the lorries were the bodies of dead Ethiopian soldiers. After burying them, soldiers came back to the market on foot and in Land-Rovers. I saw them take many of the bodies to the market. I know what happened to them. At 6.30 in the evening they began to shoot in the market and it lasted for one hour. I fled to the mosque but I saw with my own eyes three bodies and five wounded people. Three children were among the wounded."

The villager gave me his name but asked me to be careful for fear of reprisals from the Ethiopian Army. Near Asmara, a young student told me he had seen the bodies of six youngsters piled high on the doorstep of a private school near the Asmara airport on August 22. One of the dead was his best friend. He also related how on the same day he had seen heaps of dead people in another sector of the city. The statement which I took from civilians were often corroborated by other non-ELF sources. These atrocities appear to occur always after battles between the Ethiopians and the ELF.

In this particularly savage war reports of atrocities—usually of impossible to check—of mounting a full-scale offensive and taking on the Ethiopians in frontal confrontations must be regarded as over-optimistic. However, if the Arabs match words with deeds, and the arms supplies arrive—and keep coming—then the Eritreans may well prove to be the first secessionist movement in Africa to succeed.

Most ELF leaders are setting themselves a time limit of three to five years for independence. As things stand this ill-equipped and, in many cases, badly organised guerrilla force can probably carry out a lengthy war of harassment. But their aim of mounting a full-scale offensive and taking on the Ethiopians in frontal confrontations must be regarded as over-optimistic.

However, if the Arabs match words with deeds, and the arms supplies arrive—and keep coming—then the Eritreans may well prove to be the first secessionist movement in Africa to succeed.

The mosque has been left as a macabre reminder of what had happened. Very few foreigners

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## Australian crisis bid by Governor

BY KENNETH RANDALL

CANBERRA, Oct. 21.

AFTER A BITTER, intransigent day of Parliamentary conflict, the Governor-General, Sir John Kerr, tonight intervened in Australia's constitutional crisis. He called the leader of the Opposition, Mr. Malcolm Fraser, to a 90-minute discussion at Government House but neither side would reveal the substance of the talks.

Mr. Fraser's office at Parliament House issued a statement saying that he had been invited to Government House and as Opposition leader had considered it his duty to go. The constitutional position had been discussed, but I have no further comment.

There was widespread speculation in the Parliament that Sir John Kerr had summoned Mr. Fraser to express his displeasure at the Opposition's stance in recent days on what the Governor-General should do by way of personal initiative in the deadlock that has followed the Opposition's refusal to pass the Budget in the Senate.

Although the Senate majority has voted to defer, not to reject the essential money bills associated with the Budget, senior Opposition spokesmen have asserted constantly in speeches that Sir John Kerr should step in and dismiss the Prime Minister, Mr. Whitlam, if he continues to refuse their demand for immediate general elections.

Mr. Whitlam conferred with the Governor-General earlier today after the Parliamentary Labor Party had elected a new member to the Ministry. Mr. Whitlam said that he would consult the Governor-General about the ballot to replace Mr. Rex Connor, whose forced

resignation from the Cabinet last week touched off the present chain of events. Senator Rex Connor, formerly Minister for Agriculture, has replaced Mr. Connor as Minister for Minerals and Energy. Dr. Rex Patterson, formerly Minister for Northern Australia, takes over agriculture.

As with tonight's talks with the Opposition leader, there were no details available of the discussion between the Prime Minister and Sir John Kerr.

The Labour Party majority in the House of Representatives today carried a motion declaring that the Senate's action in refusing to pass the Budget was "a direct challenge by that chamber to the authority of the House of Representatives."

Mr. Whitlam, leading the debate, accused the Opposition of "seeking to bring the House of Representatives to heel by the use of its majority in the House of Representatives."

Mr. Whitlam declared: "I shall not advise the Governor-General to hold an election for either or both houses until this constitutional issue is settled. This Government, so far as I am concerned, will continue the course endorsed by the Australian people in May, 1974."

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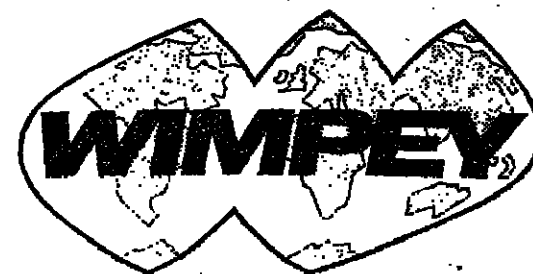
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# HOME NEWS

## Japanese nuclear deal talks prompt protests

BY DAVID FISHLICK, SCIENCE EDITOR

ALLEGATIONS yesterday that a State-owned nuclear company was secretly planning to import large quantities of highly radioactive waste to secure Britain's biggest-ever nuclear export order, led to a storm of protest, with critics inferring that Britain was in danger of becoming "the world's nuclear dustbin."

Focus of the critics' concern is a contract British Nuclear Fuels has been negotiating with Japan for more than a year—and expected to be worth between £200m. and £500m.—to reprocess at its Windscale, Cumbria, factory the spent fuel from a group of Japanese electrical utilities.

Mr. Patrick Jenkin, Opposition spokesman on energy, yesterday called on Mr. Anthony Wedgwood Benn, the Secretary for Energy, to explain how the information has "leaked out." He said it was "deplorable that the Government allows news of important nuclear projects to leak out in this way."

A process developed at the Harwell research centre of the U.K. Atomic Energy Authority has already been demonstrated on pilot-plant scale as a satisfactory way of producing stable glass ingots. But Mr. Cpn All-Nuclear Fuels, stresses that his company's own employees will be the people closest to the process and problems, "so we're not going to glass until we have got it right."

Conditions

His plans include a full-scale demonstration of the process technology, using non-radioactive materials, before the company attempts to vitrify radioactive waste.

British Nuclear Fuels has always assumed, in its negotiations for the Japanese contract, that the U.K. Government would require two conditions to be fulfilled.

One is a substantial downpayment by the Japanese towards the cost of Windscale's new reprocessing plant—put at around £150m. (at 1974 prices).

The other is an option on the British company's part to return the highly radioactive waste to Japan in the empty fuel flasks if and when a satisfactory vitrification process becomes available.

It is envisaged that the new reprocessing facility now being designed by British Nuclear Fuels, with the collaboration of three U.K. industrial groups—Woodhead, Duckworth, Taylor and Woodrow and Strathairn Henshaw—will incorporate a system of vitrifying the highly radioactive effluent to produce a glass-like solid only about one-fifth of the volume.

to undertake this type of work for foreign countries.

The Government's main concern in this is that the U.K. should not become a permanent repository for storing other countries' nuclear waste.

The Japanese contract concerns a total of 4,000 tonnes of spent fuel for reprocessing during the 1980s in a new £300m. facility. British Nuclear Fuels is planning to build at its Windscale factory.

Although substantial quantities will still be modest compared with the spent fuel already arising from Britain's 11 magnox nuclear stations, which now amounts to 1,800 tonnes a year.

In addition, British Nuclear Fuels has already reprocessed about 700 tonnes of fuel from overseas reactors, principally from the two magnox reactors in Japan and Italy.

**Stored**

The highly radioactive waste arising from its reprocessing operations is stored in the form of a concentrated acid solution in sealed stainless steel vessels at the heart of the Windscale factory. The vessels about 20 feet tall and 20 feet in diameter, are continuously cooled, stirred, and monitored for leaks and are being filled at the rate of about one vessel a year.

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### Modest

Far from being kept secret, however, the negotiations between British Nuclear Fuels and the Enrichment and Reprocessing Group (ERG), representing the Japanese utilities, have been given considerable publicity for the past year—in the Financial Times, for example.

Last night, however, Mr. Wedgwood Benn gave an assurance that no contract to reprocess and nuclear waste in Britain would be made without Government consent.

In a statement issued by the Department of Energy, he said the Government was considering whether it was "acceptable"

One of the prototype S has just returned from intensive sales demonstration flight trials visit to the Among airlines to whom demonstrated were Golden Airlines, Swift Aire and Airline.

These are all "third level" commuter airlines, which require a requirement for an aircraft of the SD3-30 type—a six medium range, 30-passenger craft featuring inter-continental services between separate communities.

Two SD3-30s have been engaged in an extensive fly programme, with about 450 already logged. The first SD3-30 is expected to be delivered to the company, tooling for a maximum rate at its Belfast of four aircraft a month.

## Royal Shakespeare Company still faces £200,000 deficit

BY MICHAEL THOMPSON-NOEL

THE CONTINUING tribulations of the Royal Shakespeare Company were spelt out yesterday by Mr. Kenneth Cork, chairman of the governors of the Royal Shakespeare Theatre, in his annual report.

Although extra Arts Council aid meant that the RSC would not have to abandon work at the Aldwych Theatre, its London base, on November 30 as had been feared, the company faced a 1975-76 deficit of up to £200,000, said Mr. Cork. This meant that its presence at the Aldwych could be guaranteed only until the middle of next year.

There is a growing feeling in Arts Council circles that by harping on its money worries the RSC is beginning to lose public sympathy but Mr. Cork was at pains yesterday to spell out the facts as he saw them.

The Aldwych, he said, was not merely an adjunct to the company's work at the Royal Shakespeare Theatre, Stratford. It is an essential part of a carefully balanced programme. The Arts Council's grant to the company for 1976-77 would be considerably higher than the current £580,000, but still not enough to finance both the forecast 1975-76 deficit of £200,000 and a full programme of work next year.

"If no additional new funds can be found specifically to liquidate our 1975-76 shortfall," said Mr. Cork, "the future of the Aldwych will remain in doubt."

In the past year the company's financial position had been savagely attacked by inflation. This was especially true at Stratford, where for the majority of the audience a high proportion of the total cost of visiting the theatre consisted of the steeply rising costs of transport, food and hotel accommodation.

Another factor was the radically different economics of large-scale foreign touring, which meant that in 1974-75 the company's total revenue from films, television and overseas tours dropped from £153,076 to £24,821. As a result of these two factors earned revenue last year rose by only 6 per cent.

On the other hand expenditure in real terms had been held to keep cost rises 10 per cent below the rise in the Retail Price Index.

But not even these savings could bring our finances into balance, and the year's net deficit was finally reduced to £5,962 only because we called in our entire stock of two supplementary guarantees against less than the Arts Council had hoped would remain partially available to finance our 1975-76 work."

At Stratford, said Mr. Cork, the present season comprised only four productions instead of a normal five or six—the four were chosen to share a common set of costumes. At the Aldwych the season comprised mainly serials and transfers from Stratford, and the company had switched from a repertoire to a cheaper repertory system to cut changeover costs.

Seat prices had been raised by over 13 per cent, and the RSC's planned work programme was budgeted to hold 1975-76 costs at 11.35 per cent above the previous year's levels.

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### LEGAL NOTICES

No. 003197 of 1975  
In the HIGH COURT OF JUSTICE  
Chancery Division Companies Court, in the Matter of J. B. HUNTER ASSOCIATES LIMITED and in the Matter of The Companies Act, 1948.  
NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 13th day of October, 1975, presented to the said Court by the Comptroller of Customs and Excise of King's Bench House, 34, Mark Lane, London, EC3R 7JE, and that the said Petitioner is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 3rd day of November 1975, and any creditor or contributory of the said Company desiring to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by counsel, for that purpose, and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

ASBESTUS, MORRIS, CRISP & CO.,  
11 Throgmorton Avenue,  
London, E.C.2.  
Solicitors for the Petitioner.

NOTE—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to the above-named notice in writing of his intention so to do, to the undersigned, stating the name and address of the person, or, if a firm, the name and address of the firm, or his or their solicitor (if any), and must be served, or, if posted, must be sent by post in sufficient time to reach the undersigned not later than 4 o'clock in the afternoon of the 14th day of October, 1975.

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### CONTRACTS AND TENDERS

#### INVITATION FOR PRE-QUALIFICATION FOR CIVIL ENGINEERING WORKS AND FOR THE MANUFACTURE AND SUPPLY OF ELECTRO-MECHANICAL EQUIPMENT

The "Instituto Nacional de Electrificación"—I.N.D.E.—of the Republic of Guatemala, intends to call for tenders for the civil engineering works and for the manufacture, supply and erection of the electro-mechanical equipment for the Marla Linda Power-Plant, part of the Aguacapa hydro-electric scheme, and for the associated transmission line.

- The main characteristics of the plant are as follows—
- Installed capacity 3 x 30 MW
  - Gross head 547 metres
  - Design discharge 22 m<sup>3</sup>/sec
  - Height of diversion dam 20 metres
  - Length of headrace tunnel 270,000 m
  - Length of surface penstock 125 km
  - Powerhouse approx. 4 km
  - Above-ground, Pelton machines
  - Sub-station 239 KV
  - Transmission line single-circuit, 25 km long, 230 KV.

Negotiations are taking place at present with the International Bank for Reconstruction and Development concerning the financing of the plant.

For the electro-mechanical equipment, the tender documents will be available from 15th January 1976, and for the civil engineering works from 1st February 1976.

All companies interested in tendering for these contracts may obtain the document "Información y Requerimientos de Pre-qualificación de Licitantes" from 2nd November 1975, at the address given below, and against payment of Fifty US Dollars.

Applications for pre-qualification (or for the updating of the status of companies already registered with I.N.D.E.), together with all required supporting documents, must be received by I.N.D.E. not later than 28th February 1976.

I.N.D.E.  
6a Avenida, 2-73, Zona 4  
Ciudad de Guatemala  
GUATEMALA

Cable Address: INDE-GUATEMALA  
Telex: 324 INDE-GU  
Telephones: 65091/4 and 67991/4

### Spending cuts hit elderly

Services for the elderly—such as meals-on-wheels and home help—may be cut under a Somerset county council drive to combat inflation.

Spending on social services in Somerset is likely to be slashed by nearly £500,000 over the next three years. The social services committee has been asked to prune its 1976-77 budget by £106,040. The reduction for the following year is likely to be £188,000 while for 1978-79 a £207,000 cut has been requested.

But the growing elderly population of the county—expected to rise to more than 71,000 by 1986—will make heavy demands on the services.

Without extra cash the department fears it will be unable to continue supplying such services as meals-on-wheels, and special aids and telephones.

### Grade boost for U.K. film industry

BY MICHAEL THOMPSON-NOEL

A boost to the ailing U.K. film industry was announced yesterday by Sir Lew Grade, chairman and chief executive of ATV. In conjunction with America's General Cinema Corporation of Boston, Sir Lew has set up a new company to make up to 20 big-budget films a year.

Half the films will be made in Britain. The new company, Associated General Films, will specialise in action, adventure and family entertainment films with a budget of at least £3m. each.

Sir Lew said he would retain full editorial control of the company. "I want to do away with the depression in the entertainment industry," he is to be chairman of the new company.

His ally, General Cinema Corporation, runs the world's largest cinema circuit.

Eight films are already planned and the new company may make up to 15 in its first year. Shooting of the first, *The Voyage*, begins in Britain next month.

It is understood the new company will have a revolving bank credit of £100m, guaranteed by the two partners.

"We believe we will be the biggest producer of major films," said Sir Lew. "This will benefit the country with foreign currency."

### 'Stop treating industry as a milch cow'

INITIATIVE must be re-stimulated, rather than stifled with "vindictive" measures, otherwise there be little prospect of success, says a leading industry spokesman, told the conferees North Wales members of the Asaph yesterday.

The Government's anti-inflation policy must be made stick, even though this unpopular aspect, he added the policy was breached, the sequences, particularly for lower-paid and those on fix incomes, must be serious.

The "four from which all good things" to industry business and stop treating industry as a milch cow."

### COMPANY NOTICES

No. 002726 of 1975  
In the HIGH COURT OF JUSTICE  
Chancery Division Companies Court, in the Matter of WELLS ENTERPRISES (NORTHERN) LIMITED and in the Matter of The Companies Act, 1948.  
NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 14th day of August, 1975, presented to the said Court by the Comptroller of Customs and Excise of King's Bench House, 34, Mark Lane, London, EC3R 7JE, and that the said Petitioner is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 3rd day of November 1975, and any creditor or contributory of the said Company desiring to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by counsel, for that purpose, and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

ELLIS PERIN & YOUNG JACKSON  
17 Albemarle Street  
London W1X 4AA  
Solicitors for the Petitioner.

NOTE—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to the above-named notice in writing of his intention so to do, to the undersigned, stating the name and address of the person, or, if a firm, the name and address of the firm, or his or their solicitor (if any), and must be served, or, if posted, must be sent by post in sufficient time to reach the undersigned not later than 4 o'clock in the afternoon of the 31st day of October, 1975.

### COMPANY NOTICES

**GOLD FIELDS GROUP**  
WATERVAL (NORTHERN) LIMITED  
PLATINUM MINING COMPANY, LIMITED  
Incorporated in the Republic of South Africa.  
DECLARATION OF DIVIDEND NO. 48  
UNITED KINGDOM CURRENCY  
DIVIDEND  
In accordance with the Standard Conditions relating to the payment of dividends, the dividend for the year ended 30 September, 1975, payable from the 1st day of November 1975, will be made in United Kingdom currency, at the rate of exchange of 1 South African Rand to 2 United Kingdom currency, this being the first dividend payable in United Kingdom currency since the company's incorporation on 20 October 1973 at which time the company's South African Rand dividend was 2.50 cents per share and is therefore 2.50 cents per share in United Kingdom currency.

By Order of the Board,  
C. E. WENNER,  
Joint London Secretaries.

**LONDON OFFICE:**  
40, Holborn Viaduct, EC1P 1AJ.  
Chartered Secretaries.  
Transfer Secretaries.  
Chartered Consolidated Limited,  
P.O. Box 102,  
Charter House,  
Aldgate, Kent, TN24 8EQ.  
21st October, 1975.

**DE BEERS CONSOLIDATED MINES**  
LIMITED  
(Incorporated in the Republic of South Africa)  
DEFERRED DIVIDEND NO. 111  
Further to the dividend notice advertised in the Press on the 20th August, 1975, the conversion rate applicable to payments in United Kingdom currency in respect of the above-mentioned dividend is £1-R1,791,439 equivalent to 12,550,000 per share.

The effective rate of South African Non-Resident Shareholders' Tax is 15 per cent.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LIMITED  
(Incorporated in the Republic of South Africa)  
LONDON OFFICE:  
40, Holborn Viaduct, EC1P 1AJ.  
Chartered Secretaries.  
Transfer Secretaries.  
Chartered Consolidated Limited,  
P.O. Box 102,  
Charter House,  
Aldgate, Kent, TN24 8EQ.  
21st October, 1975.

**ANGLO AMERICAN INDUSTRIAL CORPORATION LIMITED**  
(Incorporated in the Republic of South Africa)  
ORDINARY DIVIDEND NO. 23  
Further to the dividend notice advertised in the Press on the 11th September, 1975, the conversion rate applicable to payments in United Kingdom currency in respect of the above-mentioned dividend is £1-R1,791,439 equivalent to 12,550,000 per share.

The effective rate of South African Non-Resident Shareholders' Tax is 15 per cent.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LIMITED  
(Incorporated in the Republic of South Africa)  
LONDON OFFICE:  
40, Holborn Viaduct, EC1P 1AJ.  
Chartered Secretaries.  
Transfer Secretaries.  
Chartered Consolidated Limited,  
P.O. Box 102,  
Charter House,  
Aldgate, Kent, TN24 8EQ.  
21st October, 1975.

**ANGLO AMERICAN INVESTMENT TRUST LIMITED**  
(Incorporated in the Republic of South Africa)  
ORDINARY DIVIDEND NO. 71  
Further to the dividend notice advertised in the Press on the 11th September, 1975, the conversion rate applicable to payments in United Kingdom currency in respect of the above-mentioned dividend is £1-R1,791,439 equivalent to 12,550,000 per share.

The effective rate of South African Non-Resident Shareholders' Tax is 15 per cent.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LIMITED  
(Incorporated in the Republic of South Africa)  
LONDON OFFICE:  
40, Holborn Viaduct, EC1P 1AJ.  
Chartered Secretaries.  
Transfer Secretaries.  
Chartered Consolidated Limited,  
P.O. Box 102,  
Charter House,  
Aldgate, Kent, TN24 8EQ.  
21st October, 1975.

**DE BEERS INDUSTRIAL CORPORATION LIMITED**  
(Incorporated in the Republic of South Africa)  
ORDINARY DIVIDEND NO. 50  
Further to the dividend notice advertised in the Press on the 20th August, 1975, the conversion rate applicable to payments in United Kingdom currency in respect of the above-mentioned dividend is £1-R1,791,439 equivalent to 12,550,000 per share.

The effective rate of South African Non-Resident Shareholders' Tax is 15 per cent.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LIMITED  
(Incorporated in the Republic of South Africa)  
LONDON OFFICE:  
40, Holborn Viaduct, EC1P 1AJ.  
Chartered Secretaries.  
Transfer Secretaries.  
Chartered Consolidated Limited,  
P.O. Box 102,  
Charter House,  
Aldgate, Kent, TN24 8EQ.  
21st October, 1975.

**ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LIMITED**  
(Incorporated in the Republic of South Africa)  
LONDON OFFICE:  
40, Holborn Viaduct, EC1P 1AJ.  
Chartered Secretaries.  
Transfer Secretaries.  
Chartered Consolidated Limited,  
P.O. Box 102,  
Charter House,  
Aldgate, Kent, TN24 8EQ.  
21st October, 1975.

## Stonehouse '£87,000 in Swiss Bank

FINANCIAL TIMES REPORTER

IT WAS ALLEGED in court yesterday that more than £87,000 belonging to the accused Labour MP, Mr. John Stonehouse, was "hidden" in a Swiss bank account. Mr. Stonehouse got legal aid for his defence two months ago.

The money is said to have been paid in largely under a false name in various currencies before he vanished off Miami Beach, Florida, last year.

PRICE OF SPECIFICATIONS AND BIDDING CONDITIONS.  
U.S. \$50.00 or its equivalent.

VALIDITY OF OFFERING: Ninety days following bid opening date.

FINANCING: By the BANCO INTERAMERICANO DE DESARROLLO (INTERAMERICAN DEVELOPMENT BANK), in accordance with Contract No. 225/OC-80 with the Government of the Republic of Bolivia.

### Dead man's name

These three accounts were all in the name of Joseph Arthur Markham, a dead man whose name Mr. Stonehouse was alleged to have assumed in a scheme to vanishing from Miami and go to Australia.

Det. Insp. Lewis testified that he was also permitted by the legal adviser of the Swiss Credit Bank to copy some of its records. Mr. K. Harrington said he had allowed Det. Insp. Lewis to give former charges of theft and conspiracy evidence because he had decided to pay to be paid into the Victoria Police.

There were also routine transactions in Markham's name between the Swiss bank and Australian banks.

Det. Insp. Lewis testified that he was also permitted by the legal adviser of the Swiss Credit Bank to copy some of its records. Mr. K. Harrington said he had allowed Det. Insp. Lewis to give former charges of theft and conspiracy evidence because he had decided to pay to be paid into the Victoria Police.

### COMPANY NOTICES

**THE CONSOLIDATED DIAMOND MINES**  
OF SOUTH AFRICA, LIMITED  
(Incorporated in the Republic of South Africa)  
ORDINARY DIVIDEND NO. 75  
Further to the dividend notice advertised in the Press on the 20th August, 1975, the conversion rate applicable to payments in United Kingdom currency in respect of the above-mentioned dividend is £1-R1,791,439 equivalent to 12,550,000 per share.

The effective rate of South African Non-Resident Shareholders' Tax is 15 per cent.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LIMITED  
(Incorporated in the Republic of South Africa)  
LONDON OFFICE:  
40, Holborn Viaduct, EC1P 1AJ.  
Chartered Secretaries.  
Transfer Secretaries.  
Chartered Consolidated Limited,  
P.O. Box 102,  
Charter House,  
Aldgate, Kent, TN24 8EQ.  
21st October, 1975.

### GOURMET

GALLIOTTI RESTAURANT, of Old Broad St., E.C.2. Open every day for lunch, dinner and dancing until 3 a.m. Cabaret twice nightly 10.30 p.m. and 1.15 a.m. Mon. to Sat. £5.25 Tel. 365 1322.

### PUBLIC NOTICES

WALSALL METROPOLITAN BOROUGH COUNCIL  
£2,700,000 Bills issued 22nd October, 1975. Applications for these are the only bills outstanding.

### 21 charges

Mr. Stonehouse faces charges of theft, forgery, conspiracy and attempted fraud. He is also charged with making false statements to get legal aid. He has been charged with making false statements to get legal aid. He has been charged with making false statements to get legal aid.

Handwritten signature or mark.



## HOME NEWS

## Import curbs could be necessary, says car chief

BY TERRY DODSWORTH

**FORTHRIGHT WARNING** Speaking at the annual dinner of the Motor Agents' Association, Sir William Williams, president of the Society of Motor Manufacturers and Traders, stressed that the car industry would be as concerned as Britain's neighbours if it had a similar imbalance of trade.

In a thinly-veiled reference to imports from Western Europe, he said a time would come when the EEC must face up to "excesses" in vehicle imports from non-member countries, especially to protect the principle of free trade in the long term, from countries whose Governments must have the resulting foreign currency.

By raising the issue of import controls at the time of the Earl's Court Motor Show, and in front of members of the MAA, which also includes many distributors of imported cars, Sir William has made sure that the issue is kept on the boil. Having opposed

## Avon Tyres plans increase in output

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

**INST** the trend of the second thoughts about running Avon Tyres, the Avon subsidiary, yesterday announced a major expansion programme which will create 250 jobs and generate at least £10 million a year for the four years.

The move, which involves a manufacturing agreement with Swedish rubber group Gummifabriks, Avon Rubber's continuing commitment to the tyre industry, comes only two months after senior directors, one of them John Swanborough, the group's director, resigned from board because their fellow directors refused to reduce the company's dependence on tyres, which they would have to do at that time it seemed that the room dispute concerned the pace of the company's diversifications. Yesterday's announcement, however,

## New EEC rules will eliminate rogue hauliers

ARTHUR SMITH

**E AND MAVERICK** transport operators should be "duly tormented" by the European Economic Community, Mr. Ken Hatcher, chairman of the Road Haulage Association, said yesterday. His address to the annual conference at Bournemouth, he said, was a directive, due to come into effect at the beginning of next year, would require operators to have adequate financial standing, and professional competence, and to satisfy stringent conditions of insurance, and to be at least the virtual elimination of the rogue and the rate-cutting, although, he said, there will be enough evidence on that point ought to be required.

Mr. Edgar Williams, chairman of the national joint training committee, outlined to the conference details of the scheme to be introduced shortly, which school leavers can train for up to five years to qualify for the heavy goods vehicle licence.

## Three battery projects to be co-ordinated

DAVID FISHLOCK, SCIENCE EDITOR

**CEMENT** to co-ordinate programmes on a new electricity storage plant, to which more than £3m. has already been committed, was agreed yesterday by the Department of the Environment.

The agreement, concerning development of the sodium-sulphur battery, has been signed by the Department of Industry, the British Railways Board, the Atomic Energy Authority, and the Chloride Silent Power.

The battery, a U.S. invention, is one of the most promising new electricity storage plants, providing almost five times the capacity of the same size of lead-acid battery.

Research is being carried out by three organisations in the Chloride Silent Power, a venture between the Electric Group and the Electricity Council, which last year agreed a £2m. programme to develop a sodium-sulphur battery and transport. British Rail's research laboratories are engaged in a £575,000 project, funded by the environment department, at developing a battery for traction which, for example, will allow electric trains to be powered by overhead lines to travel through long tunnels.

The third project is a two-year, £100 programme at Harwell, led by the Department of Science.

Under the terms of the agreement, all parties have agreed to share data on the development and manufacture of the new battery. The three projects will also be co-ordinated, with specific aspects being handled by one or other of the three research centres. All

## ITV plans Olympic talks

By Michael Thompson-Noel

**THE EXTENT** of Independent Television's coverage of the Montreal Olympic Games next year depends on talks with the BBC about "alternative" coverage of events, Lady Plowden, chairman of the IBA, said yesterday.

Total U.K. rights for the Games are expected to cost up to £500,000.

Lady Plowden said there were three different ways to cover the Olympics. The first was for both sides to show the Games at the same time, but with different commentaries, which could irritate the public.

The second was for one channel to show nothing and the other side to show all, which seemed unfair.

The third was for ITV and the BBC to take turns in receiving events from Montreal.

"This seems to me to be a reasonable compromise," said Lady Plowden, "and I hope very much that this will be seen by the BBC's Board of Governors."

ITV opted out of coverage of the last Olympics, in Munich in 1972, and in the process handed huge audiences to the BBC.

The last time the controversy over "alternative" coverage of major sporting events arose was during the World Cup soccer competition in Munich last summer when certain key matches were covered simultaneously on both channels.

## 70 shops to lose royal warrants

FINANCIAL TIMES REPORTER

**SOME 70** shops are to lose the right to describe themselves as "by Royal Appointment" by January 1979, under a decision reached by the Royal Warrants Commission after consultations with the Queen.

Ultimately several hundred stores and shops could be affected.

Among those likely to lose their royal badges of approval are Hawes and Curtis, shirt-makers to George VI, A. E. Skinner, described as jeweller and silversmith by appointment to George V and Block, wine merchants to George VI. Several department stores will also be affected, including Peter Jones and Liberty's.

The decision basically covers royal warrants granted by method of continuity after 1979.

## Bowater-Scott warning

BY LORNE EARLING

**BOWATER-SCOTT**, Britain's biggest tissue manufacturer, gave a warning yesterday that despite a 92 per cent. increase in its prices since 1973, it was not generating sufficient capital for future investment.

The company, which has just completed a £17m. investment in a new mill at Barrow-in-Furness, Cumbria, is now seeking a further price rise of 2 to 3 per cent. in an effort to improve margins.

The new mill, with a capacity of 150,000 tons a year, and the company's biggest outside the U.S., was started in April, 1973, and employs about 1,300 people. It manufactures a large range of Bowater-Scott products including facial and toilet tissues, and kitchen towels.

Mr. James Stocker, chairman and managing director of the company, which is jointly owned by the Bowater Group and Scott Paper of the U.S., said that since early 1973 pulp costs had risen by 144 per cent. and labour costs by 62 per cent.

## Slump in engineering orders likely to last well into 1976

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

**THERE IS** considerable anxiety in many sectors of the mechanical engineering industry about prospects for the next six months, according to the short-term trends working party of the mechanical engineering Economic Development Committee.

The industry "has clearly not yet felt the full impact of the recession" and many companies "are likely to face increasingly severe shortages of orders resulting in sharp cutbacks in employment or increases in short-time working over the next year," it adds.

But the "Little Noddy" says that the "trough" in the new order cycle has probably now been reached. The problem is that the intake of new orders will probably "bump along the bottom" until the second half of 1976 when a cyclical upturn could begin.

Meanwhile, new orders remain at even lower levels than in the last recession.

Orders from U.K. sources previously expected to underpin demand in 1975—like those from the British Steel Corporation and the National Coal Board—as well as orders stimulated by various Government support schemes (for foundries, machine tools and Leyland for example) are expected now to build up mainly in 1976.

And the main rise in overseas orders is now expected to occur later than previously forecast, starting in the U.S. in the spring or summer of 1976, then extending to Europe and accelerating into 1977.

Expansion in West Germany, France, Italy and Japan appears to be lagging behind that of the U.S., the EDC points out. The main increase in their ordering of capital goods is not now expected until mid-1976.

European mechanical engineering industries are reported to be expecting output to remain depressed through much of 1976.

The industry must expect a marked drop in production in the fourth quarter of 1975 and a further fall of perhaps 3 to 4 per cent. is likely in the average level of the index of production for 1976, the greater part occurring in the first half of the year.

Increases in materials and wages costs are likely to slow down, particularly in 1976, partly as a result of market pressures and partly because of the counter-inflation policies.

One bright spot in the report is that in real terms imports fell as home demand declined this year—something which did not happen in the previous recession. In the first half of 1975, the current values of exports and imports of mechanical engineering products were respectively 44 per cent. and 18 per cent. higher than in the first half of 1974.

Mechanical engineering short-term trends, free from Noddy Books, NEDO, Millbank Tower, Millbank, London SW1P 4QX.

## Widespread

Those sectors where order prospects remain encouraging include agricultural machinery (including tractors), mining machinery, equipment for energy conservation programmes, fabrications and other equipment for the North Sea as well as for the OPEC countries and Eastern Europe.

So the "Little Noddy" can see shortages of skilled labour at the heavy end of the industry running hand-in-hand with rising unemployment elsewhere in mechanical engineering.

The latest available employment statistics indicate the falling level of activity in the industry. Employment fell by 6,000 a month on average between March and June this year.

Short-time working was by May this year more widespread than when the 1972 recession reached a comparable stage, as was unemployment. But over time working and unfilled vacancies were still well above

Gas

DOING A GOOD JOB FOR BRITAIN.

## Good for the country.



Natural gas is saving Britain money—one thousand million pounds a year on our balance of payments, which otherwise would have to be spent on imported oil.

And it's saving Britain energy, too. Natural gas is such an efficient fuel that in terms of useful heat it already meets 30% of the country's needs. And by 1980 this figure could well rise to 40%.

## Good for the customer.



And because gas is so efficient it can save you money in home, office and factory. Particularly if you follow the expert advice available from your local gas showroom.

## Good for the environment.



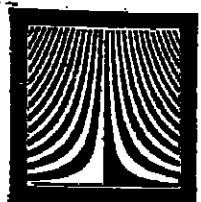
Because it is a remarkably clean fuel, natural gas has already done a great deal to help reduce atmospheric pollution. And because gas is transmitted through unseen underground pipelines, vast quantities of energy can be transported quickly and easily with very little permanent effect on the countryside.

In the 10 years since North Sea gas was first discovered, gas sales have increased almost fourfold, the appliances of more than 13 million customers have been converted to burn the new fuel, and a vast new high-pressure, remotely controlled pipeline network has been built.

This, and much more, constitutes a record of achievement of which any industry could be proud.

BRITISH GAS





# The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHÖETERS

## SHIPPING

### New moves in marine automation

ASEA'S COMPLETE range of shipboard automation systems has been rationalised in the latest models recently introduced to the marine market. Use has been made of bus techniques, "building brick" system components and decentralised system functions.

This technique enables these "local systems" to function independently of each other and an effective wire reducing data transfer technique is thus achieved.

By the use of a central processing unit, either independently or in combination with the local systems, comprehensive and effective monitoring of the entire machinery can be obtained and displayed in digital or analogue form with recording and remote transmission facilities. A local system consists of a control/display unit and a number of function modules connected in an identical manner independent of the function of the individual module.

## SECURITY

### Switches on from coded keyboard

ACCESS TO any kind of electrically operated equipment can be barred to all employees, except those who have been told a four-figure code, by making use of the Digisafe 8080 unit.

Robustly constructed for industrial use, it measures 171 x 121 x 55 mm and is based upon a large-scale integrated circuit. An easily remembered four-figure code number is entered via the keyboard and the unit makes an internal comparison with the correct number which is stored in an erasable memory. Any tampering with the keys resets the unit and switches the power off.

Correct key depression is recognised by the logic and a 15 A relay with double pole power isolation is activated. Also available is a single-make contact for external contractor operation. The code number can be changed by entering the new number into the keyboard after operating an internal switch. Digisafe is made by Statco Devices, Banbury, Oxfordshire OX16 0TE (Banbury 3969).

## HEATING

### Prevents wastage of heat

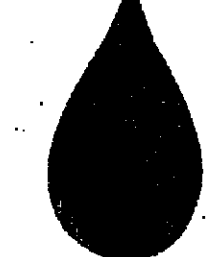
AIR TO air heat recuperators made by Recuperator Spa, Italy, are for commercial and industrial applications and high fresh air installations such as hospitals, swimming baths, conference rooms, restaurants, etc.

It is claimed that up to 90 per cent of the normally rejected heat can be recovered from exhaust air within operating temperature limits of -22 to +144deg.F on the standard HR and up to 320deg.F on the HDR high temperature model.

Absence of moving parts

### Effluent Problems!

**Burdon System Effluent Plant**  
CONTACT  
E.R. Burdon Engineers Ltd, Swan Lane, Sandhurst,  
Chertsey, Surrey, Tel. Varsity 873077



## BUILDING SOCIETY RATES

Every Saturday the Financial Times publishes a table giving details of Building Society Rates on offer to the public.

For further details please ring  
01-248 8000 Extn. 459

## PACKAGING

### High volume packer sealers

AUTOMATIC floorboard case packer/sealers developed for high-volume situations in the food manufacturing industry have been introduced by Precision Engineering Products (Suffolk), Atlas Works, Culham Road, Bury St Edmunds, Suffolk (0284 2097).

There are two machines, the Side Loader and the Bottom Loader.

Operating at up to 20 cases/minute, the former side loads cases, enabling the amount of board used in each case to be kept to a minimum. The company says a user should cut his board costs by some 14 per cent. Basically, the machine carries out four functions: case erection, product collation, product packing and case sealing. The only regular operator duty is ensuring that the case-flats magazine, which holds up to 150 flats, is kept stocked.

Sealing can be by PVA, hot melt or tape. Once the sealing medium has been applied, from heads on either side of the machine, the case passes through a belt or roller compression section, depending on the sealing system chosen.

Because the base of the case is designed to be the smallest area, medium has been applied from the Bottom Loader also offers savings in board. It is designed on a modular basis and consists of four interlocking sections. It operates at speeds of up to 12 cases/minute, or 240 tubs/packs/minute.

Like the Side Loader, the Bottom Loader can be supplied with PVA or hot melt adhesive systems, or 50 mm. tape sealing.

## ENERGY

### Consultancy on coal

TWO BRITISH organisations—NCB and Babcock and Wilcox—are to join forces to market their know-how and experience on an international basis.

National Coal Board and Woodall-Duckham, a member of Babcock and Wilcox power and process engineering group, are setting up a consultancy to advise on the application of both new and established coal processing methods from the mine surface to the transmission line, gas grid or industrial user.

Among services to be provided will be evaluation and selection of technology, pilot or semi-commercial scale testing and development, assessment of capital and production costs, and advice on operational techniques. NCB operates major coal research facilities staffed by 600 people with current emphasis on the development of new processes and equipment for coal utilisation.

Woodall-Duckham and Babcock are deeply involved in fluidised combustion of coal, gasification of coal to yield SNG or fuel gas and the elimination of smoke and effluents.

## PROCESSES

### Steps up production of footwear

IMPROVEMENT in footwear production work flow can be achieved, it is claimed, with a gas-powered inline heat setter introduced by Cox and Wright. It employs catalytic gas elements using natural methane or propane gas for its heat source. It is claimed to be more economical than conventional electrically-powered machines and the chemical reaction on which it depends provides moisture which could aid the setting process.

Incorporated into a production line as a link unit between the lasting machine and the bottom preparation stage, the heat setter accommodates boots and shoes of most heights manufactured

from leather and synthetic materials.

Lasted boots or shoes are placed on the setter conveyor and one of three speeds selected. At the exit a fan cooler reduces the temperature for easy handling.

Operating heat is provided by a chemical reaction between the gas and atmospheric oxygen at the catalyst. The catalyst panels are flameless, the gas always remaining below ignition temperature.

The generated heat will not ignite flammables such as cements or solvents on the footwear, says the company, which is at Wellingborough Road, Rushden, Northants (09334 58341).

Temperature variation over a range from 70 to 180 degrees C is achieved by a high/low change facility which enables heat intensity to be changed quickly should the production line change from one type of upper material to another. Once timing and temperature have been set the equipment requires no separate operation.

### Ultrasonic cleaning of fossils

ORIGINALLY designed for fuel atomising and the cleaning of diesel fuel injectors, an ultrasonic device developed by Shimm Group Research and Development, Concord Road, West Avenue, London, W3, is being successfully used by museums and archaeologists for cleaning fossils and delicate artefacts.

Modification was carried out in an aluminium association with the Fossil Fuel Section of the British Museum (Natural History) to provide a hand-held pistol-shaped cleaning probe.

Delicate fossils can be cleaned without danger to their fragile structures, says the company, and it is possible to retain much of the fine detail of the specimen which might be lost with harsher cleaning methods. It has been found that the ultrasonic "considerably reduces the cleaning time required to prepare fossil bones—at the British Museum 200 specimens were prepared for exhibition in 18 months, a job that would have taken two years by conventional cleaning methods.

## Windsor

for the complete range of plastics injection moulding machinery & extrusion machines.

GKN Windsor Ltd.  
78 Portsmouth Road  
Cobham, Surrey KT11 1HY  
Tel: Cobham 7241  
Telex: 929514

A GKN Engineering company

### To market spring testers

AN AGREEMENT has been signed between Bennett Tools, a Machine Division company at Redditch, Worcs., and the Carlson Company of Oceanside, New York, for the supply of Carlson precision spring testers as an exclusive agency in the U.K., East and West Europe (including USSR), and for a non-exclusive arrangement in Asia, Australia, Africa, South Africa and South America.

The range covers compression, extension, and torsion testing of springs and twist testing of wire for spring making. Some of the machines are accurate to within 0.25 per cent, and are certified by the National Bureau of Standards (U.S.).

### Printing on anodic film

SOLUTION of a problem which has defeated U.S. and Russian developers is claimed by a small London company—that of securing durable anodic colour prints on aluminium.

It is a printing process which starts with an anodic film to which pigments are transferred from a paper carrying the design. This sub-lattice paper is placed on the film and the sandwich "cooked" in a heat press at temperatures from 180 to 220 degrees C. Most of the pigment migrates by sublimation into the film to produce the required pattern.

It is in the next step that Statant Universal Prints claims to have made the real advance. It has protected its work—carried out by Mr. Thomas Skinner—by patent in most countries. This is the sealing of the pattern in the anodic film for which

water-based methods are unusable since they would leach most of the colour. Statant chemicals and methods hitherto not applied and has succeeded in perfecting the process to degree that at least 90 per cent of the colour stays in the surface. The method is ready for use on aluminium goods which, subjected to the ordinary wear and tear of household and commercial life. Further work is hand to select pigments, refine the method so that dyes can be applied to aluminium objects which are subjected to considerable degrees of heat such as saucepans. It is in reach of complete success.

Statant Universal Prints is 335 West End Lane, Hampstead, London NW8 (01-435 1161).

## SERVICES

### Biggest of the bureau groups

BOC DATASOLVE is to form First National City's Computer Projects (CPL) bureau subsidiary which provides software services.

This latest move confirms big BOC service company as largest in Britain. It got Datasolve (2x 1904A; 2x 380/ Electra (1902A replaced terminal); Systemsolve (28 Sanaco (B-615); its own 370/155s and now the CPL 50. To this must be added 40 per cent interest in Triad software and console venture.

CPL's range of services to be maintained, and Mr. Eyles continues as managing director of what BOC deems as a profitable business. BOC is at 01-828 7868.

## 'I know companies will do all they can in the fight to bring inflation down'

"For at least 5 years the CBI has given warning after warning about Britain's rate of inflation and its great dangers for our society.

Because the rate in Britain has been much higher than our main competitors it has become harder to sell abroad, harder to invest and so harder to provide jobs.

And because of this Britain has been the poorer.

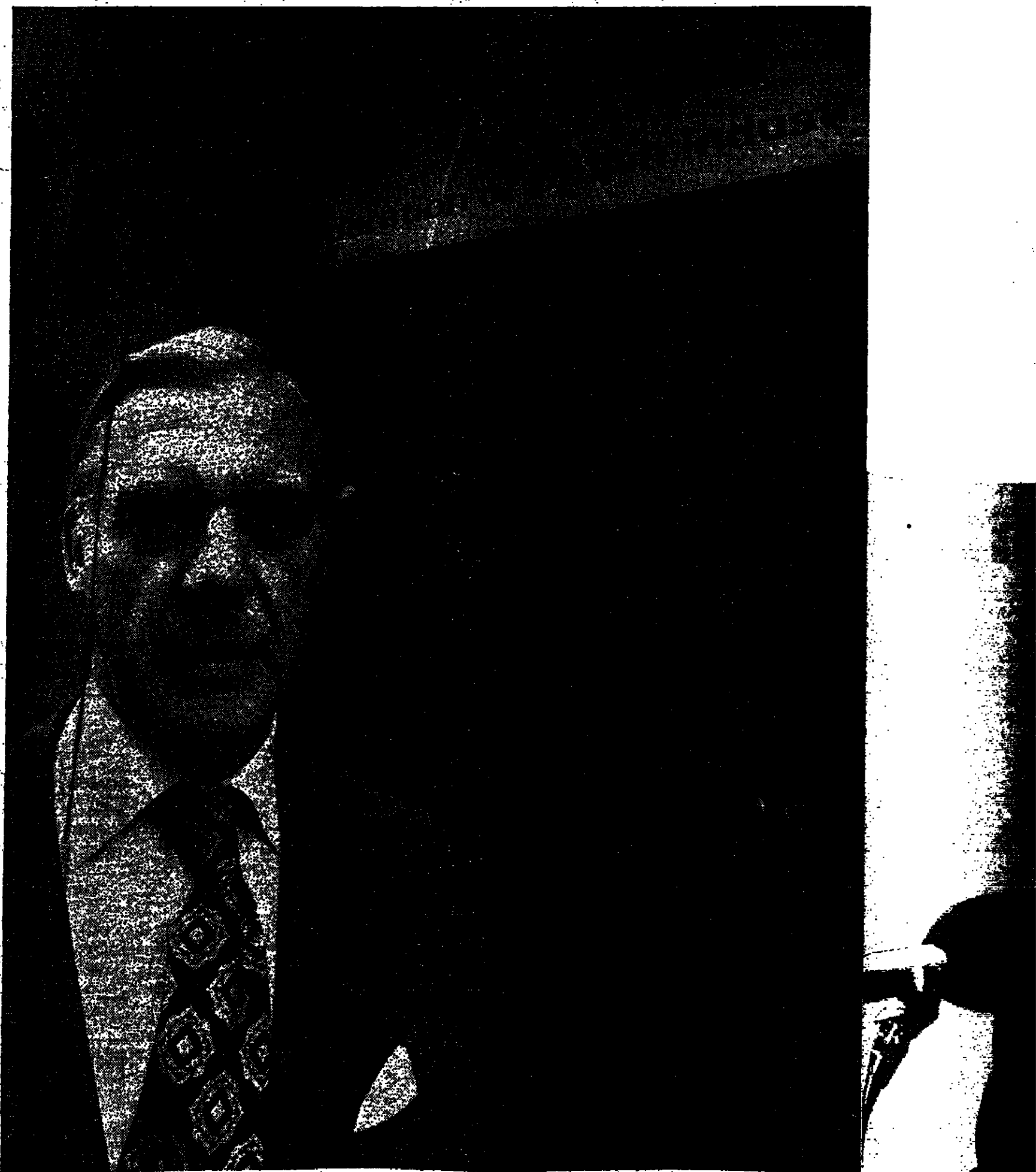
That is why the CBI was glad when the Government finally decided to act.

We made no bones of the fact that action should have been taken far sooner, and we think more will need to be done—further cutting of public expenditure for instance—before we can really be safe from its dangers.

Nevertheless the Government has now acted and I know companies will do all they can in the fight to bring inflation down. For industry this is the first essential step for economic expansion; for all of us it's the first step towards a more prosperous future."

*Campbell Adamson*

Campbell Adamson,  
Director General, Confederation of British Industries.



# Inflation. We can eat

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## HOME NEWS

# Teesside jobs boost as Seal Sands £120m. oil terminal is opened

BY RAY DAFTER ON TEESSIDE

THE NORTH SEA development programme received a major boost at Teesside yesterday with the inauguration of the Ekofisk pipeline and £120m. Seal Sands terminal.

The Phillips Group, operator of the Ekofisk field, has already started pumping crude ashore and a tanker with the first load of crude from the terminal is due to leave for Norway later this week.

This marks the start of a new era. Up to now, oil tankers have loaded rather than unloaded in



MR. JOHN SMITH, Parliamentary Secretary at the Department of Energy, is greeted at Teesside Airport by Mr. H. L. Wendel, manager of operations at the Ekofisk terminal.

U.K. The oil is being would start pumping operations upped ashore through a 220-ft. long submarine pipeline at rate of 300,000 barrels a day, but one-third of the maximum design delivery capacity.

It is envisaged that the flow of oil and associated natural gas will build up to 500,000 barrels a day by 1977 and more

oil from the North Sea field. The pipeline and terminal are operated by Phillips on behalf of the joint owners, the Phillips Petroleum Company and Statoil. These two parties have jointly formed a new British company, Norpipe-Petroleum U.K., to own part of the shore terminal facilities. A similar Norwegian company has been set up to own the oil pipeline and also a natural gas pipeline from Ekofisk to Germany.

The Phillips Norway Group, which holds the relevant Norwegian offshore production licences, comprises Phillips Petroleum (36.96 per cent.), American Petroleum Exploration (30 per cent.), Norsk Agip (13.04 per cent.), and the Petronord Group (20 per cent.).

The Petronord interests are: Elf Aquitaine (8.094 per cent.), Norsk Hydro (6.7 per cent.), Total Marine (4.047 per cent.), Esso Norge (0.456 per cent.), Coparex Norge (0.399 per cent.), and Cofronord (0.304 per cent.).

## Dunlop-Pirelli protest may get mixed response

BY OUR LABOUR REPORTER

A BID to mount an international day of protest to-day against the activities of multinational rubber companies is expected to draw a mixed response in Britain.

An unofficial combined shop stewards' committee for the British rubber industry has called a 24-hour stoppage in support of the protest. This is expected to be largely ignored by the 15,000 manual workers employed by Goodyear and Michelin but may be supported by some Dunlop-Pirelli plants, particularly in the Merseyside area.

The decision to organise protest action was taken by a con-

ference in Liverpool, six weeks ago of shop stewards from Britain, Germany, Italy, France and Spain. The Dunlop-Pirelli stewards' international steering committee has played a leading role in trying to co-ordinate the international action and Mr. Charlie Parker, the committee's secretary, said yesterday that demonstrations would take place in Italy and France to-day as well as strikes in Britain.

The stewards say they want to draw attention to the investment policies of the multi-nationals. They claim that employment in Europe is being run down in favour of investment in the Third World where labour is cheaper.

## LABOUR NEWS

### Leyland plant reopens

By Our Midlands Correspondent

ONE OF the three British Leyland plants closed by disputes reopened yesterday, when 20 security guards at Rover's Cardiff gearbox factory with-drew pickets for talks over man-aging levels, and 900 workers were able to resume.

But output of Triumph cars at Coventry remained at a stand-still for the second day, with losses mounting by about £10m. daily.

This results from a three-week strike by 1,000 white-collar members of the transport union protesting at alleged delays in implementing a new job evaluated wage structure. Nearly 3,000 are laid off at Coventry and another 800 at the associated Merseyside plant.

Management has cut off power supply at the Sherpa light van factory in Birmingham where 800 are picketing after being laid off for four days from yesterday. The power cut was to prevent an attempted "work-in".

At the Rover plant at Solihull, making saloons, Land-Rovers and Range Rovers, more than 1,000 members of another staff union—APEX—have for nearly a week been imposing sanctions that threaten to stop assembly lines.

British Leyland is maintaining silence about reports of willingness to dismiss five draughtsmen at the Longbridge, Birmingham, plant and pay them some £26,000 compensation to avoid a union closed shop dispute.

It is understood that four of those reluctant to join a TUC-affiliated white-collar union have now applied for membership to the Technical and Supervisory section of the Amalgamated Union of Engineering Workers (TASS).

Mr. John Royan, national officer of TASS for Leyland Cars, said last night: "There has been a closed shop for many years and we hope the new members will contribute their subscriptions as well as their views."

# AUEW to fix pay claim details in December

BY ROY ROGERS, LABOUR CORRESPONDENT

THE ISSUE of whether Britain's 3m. engineering workers should challenge the Government's counter-inflation pay policy with their next national pay claim will be the subject of a special Amalgamated Union of Engineering Workers delegate meeting called for early December.

The 52-man policy-making AUEW (engineering section) national committee will decide at this meeting the size and timing of the claim—fixed as a "substantial" pay demand in April and subsequently backed by the Confederation of Ship-building and Engineering Unions' conference.

The AUEW is presently tied to a policy of opposing any Government interference in wage bargaining and led the minority of unions opposing the Government's pay limit at the September TUC Congress.

This policy will now come up for review at the special national committee meeting which will make its decision on wages a few days later.

The Confederation, which is dominated by the AUEW, had hoped for TUC advice on how to proceed through subsequent plant level

their complicated two-tier wage structure would be affected by the Government's £8 pay policy but at a meeting with TUC leaders earlier this month, little guidance was given other than that the £8 policy must be adhered to.

A further complication is that the current national engineering pay agreement still has two stages to come—increases of up to £4 a week next month and a further £2 in February—and stipulates that there can be no further national increases before next May.

### Minimum rates

The national agreement, though, affects only minimum rates and conditions and for the vast bulk of the industry means only marginal improvements on overtime and holiday payments.

Earnings set through local bargaining are already well above the proposed new minimum rates for most engineering workers.

Under the Government's pay policy, engineering workers will receive the outstanding stages of the national deal with the benefits topped up to a total of £8 through subsequent plant level

bargaining. It also appears to mean that there can be no new national increases before next August, the anniversary of the first stage of the existing agreement.

Delegates to the national committee will no doubt be aware that they will have great difficulty in swinging the Confederation against the Government's policy and that if they do so on their own, they may have to do so on their own.

The special AUEW national committee has been timed to coincide with a recalled rules revision conference—made up of the same delegates—which will discuss ways of getting the union out of its severe financial difficulties.

With almost 200,000 members in arrears with their subscriptions and the union some £750,000 in the red, so far this year, Mr. John Boyd, the general secretary, yesterday suggested cutting sickness, unemployment and disputes benefits.

These suggestions—to be considered at the rules revision conference—involve stopping all benefit for the first week and reducing sickness and unemployment payments by 25p a week.

## Scanlon hits at Press 'distortion'

BY OUR LABOUR CORRESPONDENT

LEADERS of the Amalgamated Union of Engineering Workers, Britain's second biggest union yesterday hit out at "blatant interference" by some sections of the Press in a series of key AUEW elections, which end to-morrow.

Speaking after a meeting of the union's national executive the union's Left-wing President Mr. Hugh Scanlon complained of "character assassination" of the union leadership and staff

and declared that the executive was considering taking some action to combat it, possibly involving an approach to the Press Council.

He was all the more indignant because other unions far less democratic than the AUEW received little or no attention from the Press. The AUEW was the union where everybody from shop steward up to president was subject to periodic elections.

Mr. Scanlon's attack was sparked off by "distorted and exaggerated" reports that some 200,000 ballot papers had been "lost." He was supported by Right-winger Mr. John Boyd who, as general secretary, is also returning officer. He explained that the engineering section of union had just under 800,000 of its 1.2m. on the electoral roll "a fantastic, terrific achievement" that no other union could match.

Members were warned in June that registers were available for inspection and one could only assume that 300,000 or so could not be bothered to take advantage of that, said Mr. Boyd adding that talk of "lost" votes was "a lot of nonsense."

It will be five or six weeks before the results of the key elections are known by which time it will become clear whether right wingers have succeeded in their determined bid to win control of the union. The seven-man executive, which has one vacancy caused by the eleva-

tion of Mr. Boyd earlier this year, splits three-three on most major political issues, leaving Mr. Scanlon to use his casting vote but this situation must change because executive seats are being contested.

Mr. Bob Wright, the left-wing executive member for the important West Midlands and Manchester division, who plays a major role in motor industry negotiations, is being challenged by an assistant divisional organiser Mr. Terry Duffy, a right-winger, who emerged from comparative obscurity when he took the union to the High Court last month in a successful bid to prevent the election being postponed.

In Scotland, Communist Mr. Jimmy Reid and moderate Mr. Gavin Laird are fighting for the vacancy left by Mr. Boyd's move to the general secretaryship earlier this year. While in the North West Area, mainly moderate candidates, are competing to succeed moderate executive member Mr. Arthur Hearnsey who retires late next year.

Mr. Ken Brett, Communist assistant general secretary, is facing a strong challenge from moderate Mr. Jim Duckert, while right-wing national organiser Mr. Jim Bradley is being pressed by three left-wingers for his post.

In addition there are a whole string of elections for lower posts in the union which has sent out some 3.5m. ballot papers in all.

## £15 claim by R-R workers in Scotland

BY OUR LABOUR STAFF

A CLAIM for pay rises up to £15—two and a-half times the £6 permitted under the counter-inflation policy—was tabled yesterday for 6,000 manual workers employed at the Scottish factories of Rolls Royce (1971) aero engine manufacturers.

The claim is for a straight 28 per cent. increase in the present basic rates, which range from £41.48 to £54.41 at the moment.

In addition, shop stewards are seeking improved holidays and better sick leave and compassionate leave arrangements. They have also repeated a long-standing claim for a 35-hour week.

Under the official interpretation, most if not all of these additional claims would have to be offset against the £8 limit which the Rolls Royce stewards say they do not accept.

The management did not give a reply yesterday, but made it clear that it was bound by the pay policy. In addition, better overtime rates which will result from the forthcoming national pay rises for engineering

workers would have to be deducted from a £6 rise if that was granted.

The stewards decline to fore-say how far they will in pursuing their claim once they get the management's official answer.

### BR and unions to meet again

By Our Labour Reporter

BRITISH RAIL and leaders of the three railway unions will make a further attempt to-morrow to iron out the dispute over whether proposed guidelines on economies should rule out any possibility of redundancies.

The unions are demanding a no-redundancy guarantee before agreeing to the guidelines.

This has been refused by BR and it appears unlikely agreement will be reached before management and unions meet Dr. John Gilbert, Transport Minister, to discuss the future of the railways on October 30.

## Pilots to consider strike over £3 licence fees rise

A DECISION by the British Air Line Pilots' Association on whether or not to call a one-day strike on November 1, in protest against dearer licence fees will be taken by the association's executive to-morrow.

The meeting will consider the outcome of talks held yesterday between BALPA and the Civil Aviation Authority, which intends to raise licence fees from November 10. Pilots' licences would go up from £10 for five years to £30 for ten years.

At yesterday's talks, Lord Boyd-Carpenter, chairman of the CAA, explained to Captain Jack Wickham, chairman of BALPA, the CAA's reasons for the rise, which is to help offset a loss of £48m. on its overall operations in 1974-75.

Although no statement was issued after the meeting, the CAA is understood to have stood firm on its licence fee plans, pointing out that all the pilots were upping up a £2 a year—the difference between the £2 a year involved in a £10 five-year licence

and £5 a year involved in a £50 ten-year licence.

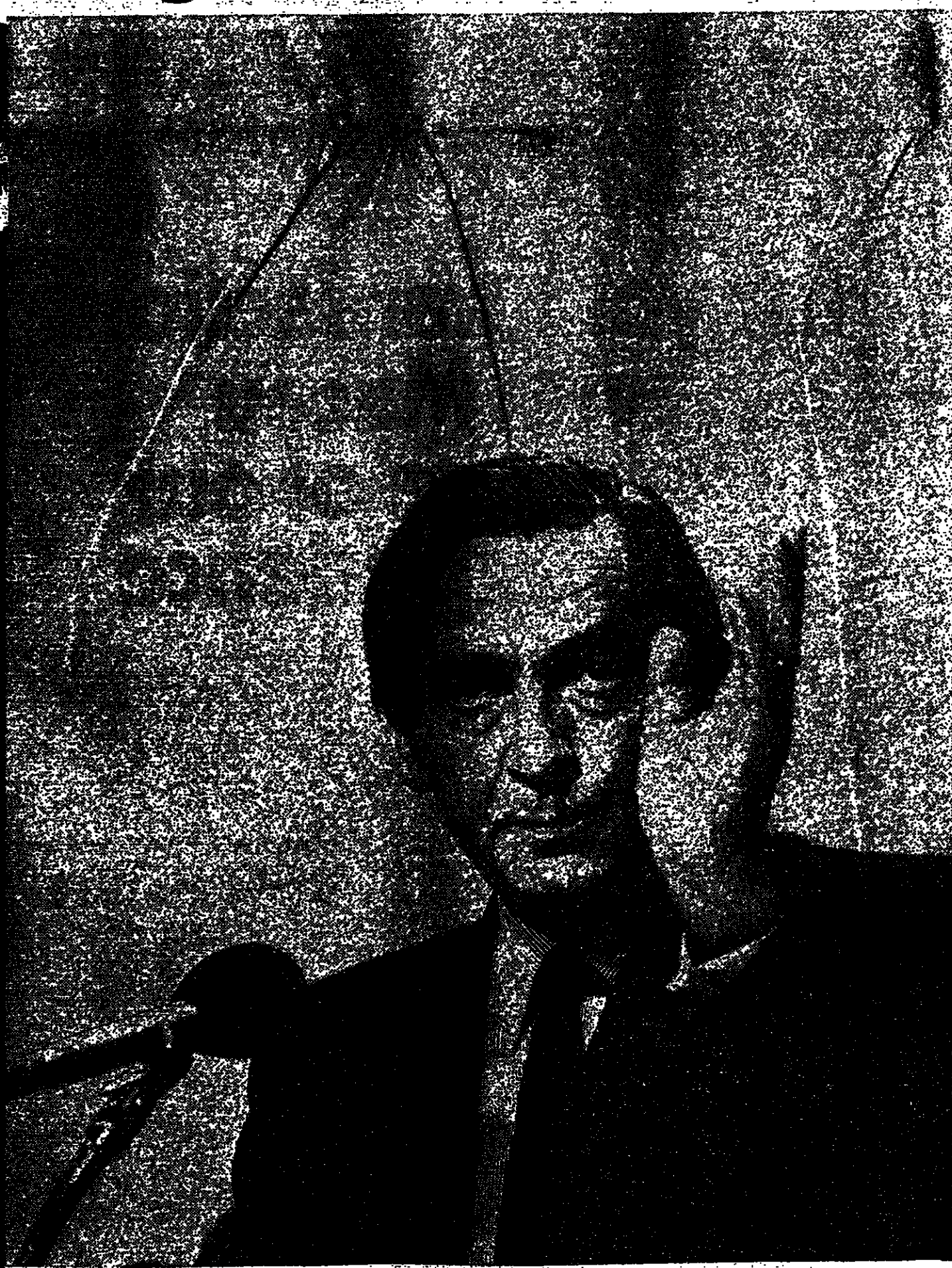
The pilots at their executive meeting to decide whether a one-day strike—which could cost the U.K. airlines business worth about £1m. in lost revenues—is justifiable over an increase in licence fees of £2 a year for pilots who, at the highest level, can earn up to £12,000 a year.

### Thurbaform to axe 150 jobs

NEARLY 150 workers at Thurba-form plastics company, Kettering, Northants, were told yesterday they are to be made redundant in three months.

The company, which manufactures margarine tubs, is to transfer operations to its Durham plant. The workers had drawn up a £100,000 plan suggesting cost-cutting measures to save the factory, but this was rejected by the directors.

will do all  
flation  
**'The need to beat inflation is one thing we all have in common'**



"Inflation at the present rate is eating away at our standard of living, creating more unemployment and holding back investment in new machinery and new jobs.

The TUC and the trade unions are backing the Government's counter-inflation policy.

This decision was endorsed overwhelmingly at our Congress at Blackpool a few weeks ago.

We know we have to beat inflation before it beats us."

*Len Murray*  
Len Murray, General Secretary  
Trades Union Congress.

**beat it together**



# MACAO

Political changes in Portugal have revived the delicate question of ownership and control of the colony. Power is shared by an unlikely balance of Maoism, Chinese capitalism and the European element, the product of politics, economics and history.

## Control by triple entente

by granting independence to the remaining colonies. But Macao cannot be disposed of so simply. Officially, the tiny territory of a six-square-mile peninsula and three small islands is only being administered by Portugal on trust for China. It belongs to China and will revert to China in Peking's own good time.

It would be simple for Peking's men to take Macao over to-day and no one could effectively object because China supplies most of Macao's imports of food and a lot of its water. However, for its own reasons Peking does not want Macao yet and will probably not be interested until it recovers Taiwan. So Peking has to suffer the chances of Moscow causing embarrassment through Lisbon right on its doorstep. Lisbon has to summon the will to administer a territory which is a burden to it.

### Cannonballs

Looking at it to-day, it is hard to see why anyone should get concerned about Macao. Its history admittedly is fascinating. When the Portuguese went to Macao in 1557 they created the first European colony in the Far East; they established a trading post and won the tacit understanding of the Chinese in return for ridding the seas around of pirates. For a time Macao flourished under the impress of men who, to quote a contemporary Portuguese source, left Europe "to serve God and His Majesty, to give light to those who were in the

darkness, and to grow rich as all men desire to do." Later, under Jesuit tutelage, Macao became a centre for guns and clock-making. "While Buddha came to China on white elephants, Christ was borne on cannonballs," noted one Chinese commentator.

By the nineteenth century Macao's glory had faded with the decline of the Portuguese empire and the birth of the colony of Hong Kong. To-day, with barely 300,000 people, Macao is very much under the shadow of Hong Kong. When Hong Kong prospered, some of its prosperity spilled over into Macao: now Hong Kong is

well cause heart-searchings and panic in Hong Kong, a bigger and more important colony and one that serves China even better. At a pinch China could do without Macao's foreign exchange earnings. It would certainly have no difficulty in taking over the territory. Many of the leading banks and businesses are already run by Peking's men and the half of the schools which are not run by the Roman Catholic Church have strong Communist influences. A good illustration of Peking's control is that in the days leading up to October 1, when China celebrates its National Day, virtually every street was hung with celebratory bunting.

To take Macao and not Hong Kong, Peking would have to soothe the British colony's nerves with many sweet words. To take both would impose serious strains. Loss of Hong Kong's foreign exchange earnings would be a big blow and Hong Kong with its much stronger Western mentality and mixture of political groups would be much more indigestible.

So it is not surprising that the events of April 1974 in Lisbon caused an upheaval in Macao. Two rival groups of Portuguese were formed, the Centro Democrático de Macau which demanded an end to the privileged class of Chinese tycoons, and the Associação for the Defence of the Interest of Macao with close links with the syndicate running gambling and other interests. The Centro much up set the previous Govern-

General Nobre de Carvalho, and of Macao recognised and to try as an infringement of its own sovereignty. Peking seems to have given its blessing for day to day political turmoil of the colony. Under the new Portuguese constitution he will have the status of a cabinet minister and Lisbon will not be able to interfere at its own whims in the colony's affairs.

He has also pushed through a plan to hold direct elections for six of the 18 seats in Macao's Legislative Assembly. Another six members are to be nominated by Chinese groups and the remaining six appointed by the Governor. This is quite a courageous move, particularly since Hong Kong has long been a political tightrope on which he has to operate. He has fought hard to get the special position

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Some projects were started including the grandiose bridge linking Macao with the island of Taipa and Coloane, fulfilment of a dream but a white elephant as there is no useful infrastructure on the other side. When prosperity spilled over from Hong Kong a few years back it was most evident in real estate and the spectacular building that was allowed on the Portuguese character of Macao. Now in poorer times it is a ordinary Chinese who is having to scrum, whose children face a bleak future because there is no universal little good technical training in the colony.

This Report was written by  
**KEVIN RAFFERTY,**  
Asia Correspondent

## Economy feels the pinch

NOTHING BETTER illustrates Macao's role in the world than its economic performance. The tiny territory is not merely a colony but a colony of a colony, and as far as the economy is concerned, Hong Kong is the colonial power, not Lisbon or Peking.

This fact has been even more marked since 1973 when the world gold bullion trade was freed. Before that Macao had one source of revenue which was not linked in some way to Hong Kong. Some experts calculate that in those days more than a million ounces of gold was coming into the colony each year: now the publish figures for

amount has dwindled to a trickle, though gold is still of goods imported is a good indication of how well or how badly the economy is faring. Every other foreign exchange earner for Macao has some link to Hong Kong: the trade gap narrowed, which is a sign of economic recovery. Exports rose from 1973 to 551m. patacas in 1974 to 551m. patacas in 1975. Imports fell from 750m. patacas in 1973 to 648m. patacas in 1974.

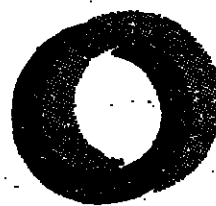
Exports from Macao are all world recession, because 80 per cent of them consist of textiles. Last year, for example, textiles accounted for 448m. patacas of the total exports. The Director of the Economic Department, industry is unwilling to produce such products.

ernment was doing what could to improve export performance, especially by trying to persuade the European Economic Community to be more generous with quotas. EEC is the most important market for Macao and last year accounted for patacas 250m. long way ahead of the U.S. and Portugal with 51m. patacas. The next biggest market, Macao is even more vulnerable in its textile exports tend to be of low quality, low quality goods.

Dr. Campos, said that the Gov. They include such products

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BANCO DO ORIENTE



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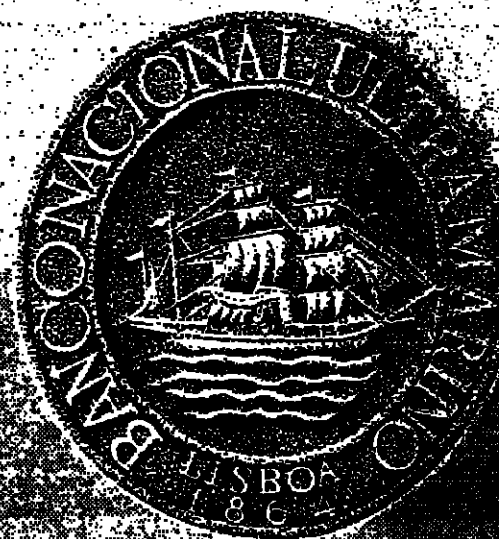
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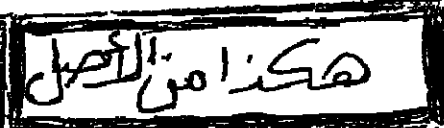
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## MACAO II



# The colony's leaders

## Colonel Leão Garcia

Colonel Leão Garcia, 35, was a member of the military committee of 200 which ran Macao for 10 years. He was a Portuguese, the only businessman or military man in the colony. He was a showman in his military manner.

The new Governor is certainly more of a showman than the old one. He has been in the colony for a month and has thrown up more than 100 improvements in his first month in office.

Colonel Leão is only 35 and was a member of the military committee of 200 which ran Macao for 10 years. He was a Portuguese, the only businessman or military man in the colony. He was a showman in his military manner.

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Communist. He said as an aside: "There are Communists all over the world. They never win power by elections, but find other ways in."

As to the future, "the key is in the hands of the Government of China," he added. "The Chinese are a prudent people and are waiting for the outcome of the situation in Lisbon. There is a Chinese proverb that we need, when we are in a ship, to wait for the arrival of the ship in the harbour. Portugal is far in the sea and a long way from the port. But he denied that Portugal had ever asked China to take over Macao.

Colonel Leão said that he was aware of the need to improve the economy. Indeed his first words to me were on that subject. "Macao is very weak," he said. He has led the committee to get the gambling syndicate to pay more for its franchise. He listed a host of things that Macao needs. "We need a seaport. We need the trade of China to pass through this port." He mentioned industrial schemes, tourist complexes, improvement of the infrastructure on Macao's two islands. The new Governor is obviously a man of integrity, good will and firm ambition. His supporters only hope that he does not founder on the all too obvious problems of money, planning, education and training, and manpower. He may yet discover that not everything in human life can be solved by a military command, however well-intentioned.

He is largely a self-made man and recalls that when he went to Macao at the age of 19, he had just \$HK10 (£1) in his pocket. He had been studying science at Hong Kong University when the Japanese war broke out. He tried a succession of businesses including shipping interests, chemicals, and real estate until in 1962 he was leader of the syndicate which won the 25-year franchise to run the casinos.

Mr. Stanley Ho reacts sharply to people who say that he is making a lot of money out of Macao and then taking it out. "It was a gamble when we took over, and it is a gamble which has gone our way. Before we won the franchise, the croupiers wore singlets and slippers, there was no air-conditioning and no European games. Before we took over there were only 20,000 tourists coming; now there are more than 500,000 and we have

hydrofoil companies plying between Hong Kong and Macao, including the air-conditioning, are Chinese. Indeed he admits to having good connections with the mainland: "I believe," he told me, "from my friends in China that there is a future for Macao." But if Macao reverted to China and became Communist, would he stay? "No, I told them, I am too outspoken." He admits that if Macao were taken over and he did have to leave, he would have enough resources outside to be able to take care of himself.

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hydrofoil companies plying between Hong Kong and Macao, including the air-conditioning, are Chinese. Indeed he admits to having good connections with the mainland: "I believe," he told me, "from my friends in China that there is a future for Macao." But if Macao reverted to China and became Communist, would he stay? "No, I told them, I am too outspoken." He admits that if Macao were taken over and he did have to leave, he would have enough resources outside to be able to take care of himself.

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Stanley Ho's case there is no built a 600-bedroom hotel, which taint of such direct political is going to be extended to 1,000 favour giving him a leg up. He rooms. Before we took over is managing director of the there was no accommodation Sociedad de Turismo e Diversos and virtually no decent trans- Macao, the four-man syndicate portation to Macao. They were cate which has the exclusive almost slow boats to China franchise to run Macao's four which took up to two days to casinos. But Mr. Ho's interests are far more comprehensive than mere casinos. The syndicate controls Macao's leading hotels including the huge Hotel Lisboa which has the tangy figures in China. He points out orange-brown colour of old that he goes out of his way to English marmalade. He is also helpful to the Chinese, and managing director of one of the many of the fittings in his

How Mr. Ho Yin, now in his 60s and several times married, came to be China's man in Macao has not been properly explained. The most convincing explanation is that after the 1949 revolution he had the foresight to be friendly towards the Chinese, and followed this the next year during the Korean War by helping Peking to run the Western blockade. China typically did not forget to return the favour and granted him the sole franchise for importing Chinese rice to Macao, which has been a major source of his business success. Another important ladder which helped Mr. Ho Yin to make his millions was the gold bullion market. For years Macao was alone in allowing free dealings in gold.

Opinions differ about Mr. Ho Yin's business acumen. The rather sour view of some businessmen is that if anyone was awarded Peking's seal of approval and failed to make money, he would be a fool. Fellow bankers regard him as a cordial and affable man. But his love of gambling has caused Mr. Ho Yin some problems. Mr. Stanley Ho claims that he threw Mr. Ho Yin out of his casino as he was losing too much money and that was no good for anyone's image.

Whether Mr. Ho Yin is actually Peking's real power in Macao—as opposed to its official representative—remains open to conjecture and argument. Many keen observers of the Macao scene will for example tell you: if you want to see who really runs Macao for Peking, you ought to look at the New China News Agency. However, Mr. Ho Yin's approval is something that is anxiously sought. When plans were announced for a container port at Macao, businessmen carefully scrutinised the list of backers to see who was behind the scheme. They saw Mr. Ho Yin's name and expressed relief that meant Peking approved and wanted an alternative port to Hong Kong.

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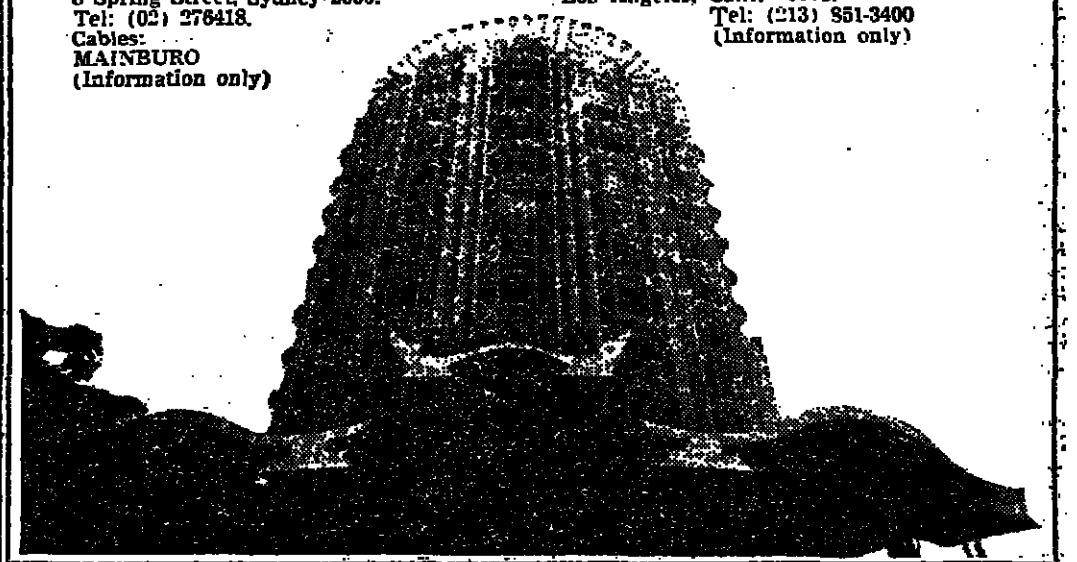
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8 Spring Street, Sydney 2000.  
Tel: (02) 276418.  
Cables:  
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(information only)

#### HONG KONG:

Macao Tourist Information Bureau,  
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Hong Kong.  
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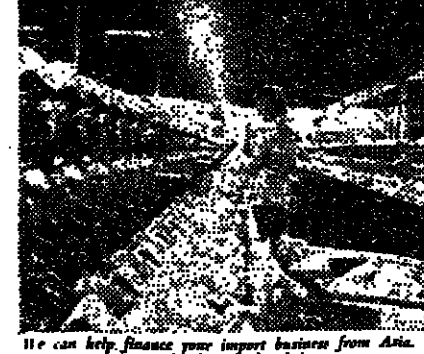
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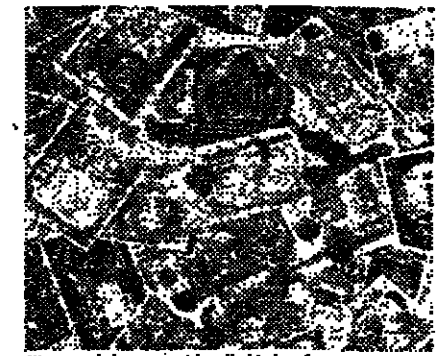
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## conomy

CONTINUED FROM PREVIOUS PAGE

pyjamas and jeans, China. Some people in Macao naturally feel that when even Macao businessmen are shipping space may be at a premium. Macao will get second preference and its deliveries may be delayed. But there is a dependence because many of Macao's export orders originate in the British colony.

There is a growing feeling that Macao might eventually be able to entertain the prospect of attracting tourists directly without depending on Hong Kong. This seems a pipe dream. For the moment, anyway, there is hard reality. Mr. Stanley Ho, managing director of the syndicate that runs the gambling casinos and most of the big hotels, says that tourist trade is down by 15 per cent this year. Once again, Macao is at the mercy of Hong Kong, which provides the take-off point for 500,000 visitors each year, as well as the source of most of the gambling money which comes from the 1.7m. Hong Kong visitors.

Hong Kong upset Macao by slapping on a tax of about 20 per cent in round terms on embarking and disembarking hydrofoil passengers to Macao, and has only recently reduced it under pressure.

Macao's tourist promoters are trying hard to launch the colony as one of the exotic spots of the Far East, making great play with its claim to be the most ancient European settlement there. Perhaps this may work, but to an outsider on his first visit, Macao is disappointing compared with its build-ups in the promotion literature. It is true that there are some delicate traces of old Portuguese civilisation, most noticeably some fine churches. There are also cobbled lanes and wrought-iron balconied colonial houses, offering daily living contrast between the hard work lives of the Chinese to-day and the grand colonial style.

However, compared to other Portuguese outposts in Asia such as Goa and even Malacca, Macao is a disappointment. Many of the fine buildings need a new touch of paint, and the fine Portuguese architectural unity of a few years ago has been destroyed by some of the most horrible speculative building of the Far East.

Another problem with tourism is that it is only the influx of gamblers at the week-ends which really fills the hotels. Over the years there has been talk of boosting Macao's economy by bringing in foreign investment, or setting up an offshore capital market taking account of the fact that the colony, unlike Hong Kong, has no withholding tax. They are pleasant enough dreams, and certainly there are 13 banks in the colony and an offshore financial market worth about \$HK800m (£80m) a year. However, anyone with big financial and economic investment ambitions must take account of the fact that Macao has poor infrastructure, historically a notably corrupt administration.

The new Government is trying its best to improve the social and economic infrastructure, but it will have a hard time of it. Traditionally it has relied on a subvention from Lisbon to balance its own budget, and also over-relied on taxes from gambling for its income. In recent years betting and associated taxes have constituted about 60 per cent of the Government revenue. In the short term it has little alternative but to try to pull more money from the casinos. Many of the more intelligent Government servants who have come in during the last few years feel outraged that the casinos are paying a franchise of only 7m. patacas a year, less than the 12m. which the Casino de Macao, which the casino operators maintain that indirectly they provide many times that income. Negotiations have started to try to raise the figure from the casinos and some officials unofficially say that 50m. patacas a year would be a fairer franchise rent. They admit they are limited by not knowing how much money the casinos take. They cannot sit at the tables and watch the money being counted.

If the Government can claw more casino money and substantially raise its revenue, then it might be able gradually to improve Macao's social and economic infrastructure. If it can build a port and lay on services to the outlying islands, if it can improve the skills of its labour force, then it may be able to create for itself a future. But the problem is that nobody knows how much time Macao can realistically count on.

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# Mason leaves Tories in defence gloom

FINANCIAL TIMES REPORTER

## Portuguese pressed on farm eviction

THE GOVERNMENT will be "robust" in protecting British citizens and their property in Portugal, Foreign Office Minister of State, Mr. Roy Hattersley, promised in the Commons yesterday.

This policy would be continued until Britons like Mr. Patrick Wardle and his family—evicted at gunpoint from their farm in the Alentejo area—were properly treated, he told MPs.

Mr. Hattersley said he had raised with the Portuguese Ambassador the eviction of Mr. Wardle. The ambassador had told Mr. Hattersley that he had spoken by telephone with the Portuguese Minister of Foreign Affairs, who assured him that the Portuguese Government would do everything in its power to give British subjects and their property proper protection.

Mr. Hattersley said he had reminded the ambassador of Portugal's obligation to British nationals and their property, and of the adverse effect which episodes like this would have on Portuguese standing and economic prospects.

Similar representations had been made by the British Ambassador in Lisbon to Portugal's deputy Foreign Minister and the Minister of Agriculture. "We will continue to press the Portuguese Government for a satisfactory outcome."

## Cost of carpets

NEW CARPETS for the Palace of Westminster cost £18,151 in the last year, Environment Under Secretary, Mr. Ernest Armstrong, stated in a Commons written reply.

FEARS AMONG Tory MPs that still more defence cuts may be on the way were heightened in the Commons yesterday by repeated refusals by Mr. Roy Mason, Defence Secretary, to give an undertaking that his Department will not be expected to make any further contribution to economies in public expenditure.

Mr. George Younger, "Shadow" Defence Minister, highlighted the anxiety on the Opposition benches by calling for an assurance that there would be no more defence cuts in view of the fact that our own Service chiefs as well as our NATO allies thought that rock bottom had already been reached.

After acknowledging that his Defence Minister colleagues in NATO had expressed concern about the outcome of the last Defence Review, Mr. Mason stated: "I shall not be able to give them a categorical assurance that that is the final limit of our defence expenditure levels."

As Mr. Younger must know, public expenditure is under survey—that means all Depart-

## Assurance on shipwreck tombs

WARTIME WRECKS of HMS Prince of Wales and HMS Repulse off Malaysia will not be desecrated by foreign salvage firms as a result of the Royal Navy's departure from Singapore, Lord Winterbottom, a Government spokesman, assured the Lords yesterday.

He was replying to Lord Clifford of Chudleigh who claimed that the huge bronze propellers—one of which was already missing—and other non-ferrous metals and armour plating, made these ships a "salvage bonanza."

It would add insult to injury to relatives and survivors if Japanese salvage firms were to profit from British ships and British war graves.

Lord Winterbottom agreed. "These are the tombs of nearly 1,000 British sailors and these tombs should not be desecrated. Although the wrecks of these ships were lying in international waters more than 50 miles from the Malaysia coast, they remained Crown property and, as such, the Government was concerned to safeguard them."

There were difficulties in trying to prevent any unauthorised interference with the wrecks, particularly small isolated instances, but since the salvage of the two ships would be a major and lengthy operation, any attempt could hardly escape notice even in the preparatory stages.

"While our presence in the Far East may have had a deter-

rent effect, I believe that the withdrawal of the Royal Navy from Singapore should not affect in practice our ability to take action should the necessity arise. The position would be watched carefully, Lord Winterbottom declared.

Replying to Lord Wallace of Gosport (Lab.), Lord Winterbottom agreed that any attempt to disturb these graves would outrage public opinion in Britain.

Asked if the British Government would maintain the same attitude to any British salvage firms, Lord Winterbottom replied: "The Government would consider salvage, providing the bodies of the dead were reverently treated."

Mr. Mason pointed out that the missile purchases were still subject to negotiation with the French and U.S. Governments. In the case of the U.S., a memorandum of understanding on deals in defence equipment had been signed and he believed this would be borne in mind during the negotiations on sub-Harpoon.

Mr. Mason answered: "There cannot be painless defence cuts." He contended that in seeking to meet the requirements of the forces within the appropriate time scale it was necessary to look abroad as well as at home.

The decision to purchase the American missile sub Harpoon for the Royal Navy and the Franco-German Milan for the Army had meant spending many millions of pounds less than would have been required to obtain British equivalents.

Mr. Younger insisted that assurances should have been obtained from the U.S. and French Governments that they would be prepared to make reciprocal orders for British equipment on future occasions before the missile deals were concluded.

## Nuclear test possibility angers Left MPs

Financial Times Reporter

THERE WERE rumblings of protest from Left-wing Labour backbenchers in the Commons yesterday when Mr. Roy Mason, Defence Secretary, again envisaged the possibility of another British nuclear test explosion being staged next year.

It was Left-winger Mr. Frank Ainslie (Lab., Salford E.), who raised the issue by asking: "Are you considering holding a nuclear test explosion in Nevada, and if so, is it connected with updating or improving the Polaris warhead?"

Mr. Mason replied that he had made it clear on more than one occasion that maintaining the effectiveness of the present deterrent might necessitate further nuclear tests.

"I have indicated before to the House, and to Labour MPs, that there may be—and I put it no higher than that—the need for another test sometime next year."

## MP urges pay beds inquiry

THE PRIME MINISTER, Mr. Harold Wilson, was urged in the Commons yesterday to include the pay beds issue in the terms of reference of the Royal Commission on the National Health Service.

Mr. Robert McCrindle (C, Brentwood and Ongar) said that doctors believed that the issues of clinical freedom and pay beds were "inseparable."

Mr. Wilson said he had nothing to add to what he told the Commons in his statement the previous day when he announced the Royal Commission.

Mr. James Lamond (Lab., Oldham E.) complained that doctors had said very little when a Conservative Government announced a savage cut in spending on the NHS in 1971.

Mr. Lamond urged Mr. Wilson to draw to the doctors' attention the excellent record of the present Government on the NHS, including an increase of £750m. a year in spending on the service.

Mr. Wilson: "It is certainly the case that we have made this very big increase in the resources available to the NHS."

## Abortion law safeguards accepted in principle

BY JUSTIN LONG, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT yesterday accepted in principle all the proposals for further strengthening safeguards in the operation of the abortion laws, put forward by the Select Committee of MPs set up earlier this year.

Mrs. Barbara Castle, Social Services Secretary, announcing in the Commons her approach to an increasingly controversial problem, was fully backed by the Opposition in a further proposal that the Select Committee should be re-established to continue its inquiries into the best ways of eliminating abuse.

Meanwhile, the whole question of the procedure for certification and notification of abortions was to be considered by her Department, Mrs. Castle assured the House.

## Patients

Mrs. Castle said that her intentions, announced earlier this year to strengthen the safeguards applying to abortion in the private sector, were similar to those recommended by the Select Committee.

"Action has already been taken following consultation with the medical profession with a view to requiring private nursing homes which concentrate on abortion to give me an assurance about total fees charged to patients."

"Only those private nursing homes with adequate facilities will be authorised to carry out terminations of pregnancy after the twentieth week."

"I have also written to those nursing homes which concentrate on abortion asking for information on the number of foreign patients treated during the 18 months to June 30, 1975, and I shall be seeking such information from all approved nursing homes at quarterly intervals in future."

She was reviewing the arrangements made by nursing homes for the reception, counselling and after-care of foreign patients on the lines proposed by the Select Committee, and would require changes in the arrangements where necessary.

Mrs. Castle said she was proposing to implement the committee's recommendation that Health Ministers should produce a list of approved referral bureaux and refuse to approve clinics which accepted patients from unlisted bureaux. Application forms had already been issued to bureaux and agencies.

The draft paper proposed by the committee about counselling facilities for women who had unwanted pregnancies would be elevated for consultation to the medical, nursing and social work professional bodies.

The Government had also accepted the committee's recom-

mendation that terminations after the 20th week of pregnancy should only be carried out in hospitals possessing appropriate facilities. Regional medical officers would be responsible for the implementation of this recommendation.

"I have issued a circular to health authorities on the report of the Peel advisory group on the use of foetuses and foetal material for research asking for the adoption of their recommended code of practice where not already in use and I put a similar requirement on private nursing homes."

She would be considering the whole question of procedure for certification and notification of abortions. "The most important preventive action which the Government has taken is to introduce as part of the NHS a comprehensive family planning service which should function fully this summer. I can only regret that this was not introduced a decade or more ago."

The House would be given an opportunity to decide next session whether the Select Committee should be re-established.

Opposition social services spokesman, Mr. Norman Fowler, welcomed the statement. There was a strong feeling on both sides of the House that the Select Committee should continue its work. There was strong support inside and outside the House for measures to eliminate abuse.

Many of us attach particular importance to the Select Committee's recommendation that every woman contemplating abortion should receive proper advice on the dangers and alternatives to abortion. He asked what Mrs. Castle had in mind regarding the new counselling procedure.

## Free vote

Mrs. Castle said that the items not yet considered by the Select Committee entered into some basic points of controversy. The Government therefore proposed that the House itself should decide whether the committee's work should continue. "As far as we are concerned on this side, that will be on a free vote."

She would be consulting with organisations representing the medical, nursing and social work professions and with a group of regional health officers about counselling.

Mr. James White (Lab., Pollok), sponsor of a private members' Bill to amend the abortion law, congratulated Mrs. Castle on the speed with which she had moved.

The Government was keeping its pledge for this issue to come before the House. What the Minister had done already would go a long way to clearing out some of the rackets in the medical world.

Mrs. Castle replied that there were factors to be considered over the re-establishment of the committee. "I would be interested to see what the committee would be asked to do."

Whether he will take view, and if he does, how and under what circumstances he would wish to carry matters for him."

Mr. Millan added: "The force are very anxious if they will give the list every possible assistance."

As far as the Government is concerned, as a c and in the general interest, I have already in fact with the prov liquidator and had a tall him. Obviously, if he was put any particular proposal the Government, it will be carefully considered."

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## Liberal

It was clear that the position of nine appointments, 70 still left an overwhelming large area for those with scientific objections to abortion to continue to work in the NHS. Mrs. Castle said she was aware of the fact that the Select Committee had been asked to look at the issue of foreign women coming for abortions. Recent figures show a dramatic drop in the number of such women coming because of more liberal laws in France and elsewhere.

Mr. Short asked what had been done for women who passed the twentieth week pregnancy and wished to terminate it, and what Minister could say that it would be provided for in NHS hospitals in all parts of the country.

Mrs. Castle agreed that there had been a dramatic fall in the number of foreign abortions. In 1974, about 10,000 abortions were performed from outside the country, compared with 15,000 in the previous year's figures.

In the first eight months of this year there had been a further decline of about 10 per cent over the corresponding period in 1974.

Mrs. Castle agreed that there were areas of the NHS where women could not access the facilities provided in Parliamentary legislation. She was connected with her reply about doctors and scientific objection.

"I would like to see uniformity and better co-ordination to provisions under NHS, because this is a sector which has been a source of abuse," she added.



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## Electoral system report next summer

By Richard Evans, Lobby Correspondent

ALL ASPECTS of the electoral system, which is increasingly becoming a political issue, are under study by an independent Commission set up by the House of Commons under the chairmanship of Lord Blake.

The Commission had its first meeting in London yesterday and hopes to present a report early next summer. This will have no official standing with the Government but the intention is to guide and influence public opinion.

## Change

The terms of reference of the commission are "to examine the existing and any alternative systems of election to the House of Commons and possible systems of election for any devolved legislative assemblies that may be established within the United Kingdom."

The Liberal party has been championing the cause of electoral reform for years and recently interest has been shown by a small number of Conservative and Labour MPs. But the Conservative party decided heavily against a change to a more complex electoral system at its Blackpool conference earlier this month.

Lord Blake, Provost of Queen's College, Oxford, said that the commission had no preconceived views on whether to change the present electoral system or what method should be put in its place.

But he admitted that his own views had changed over the past year or two. Having considered that the British system had worked exceptionally well he now thought there was scope for a full independent assessment.

## Members

Lord Blake thought the time was more ripe now than for years to focus public attention on the complex issues involved and to examine a number of often-stated views — for instance that proportional representation meant weak coalition government or that our two party system meant strong government.

Other members of the commission include Sir Jack Callard, former chairman of ICI, Professor Ralph Dahrendorf, director of the London School of Economics, Lord O'Neill of the Maine, former Prime Minister of Northern Ireland, and Lady Seear of the Liberal peer.

## SDN: Wilson promises to keep in close touch

THE PRIME MINISTER, Mr. Harold Wilson, reported to MPs yesterday on his meeting with a delegation from the Scottish Daily News, which took place earlier in the day.

Mr. Wilson said: "I met representatives of the works council including the editor, as well as the TUC member. Since a liquidator has been appointed he was there."

"The conclusion must be in these circumstances that the liquidator... who is required to act on behalf of the creditors, will be getting in touch with them."

"When the liquidator has done whatever he can to sort out the facts and decide what should be done for the future, he will of course be in close touch with the Government."

Later, during the report stage of the Scottish Development Agency (No. 2 Bill), Scottish Minister of State, Mr. Bruce Millan said: "The provisional liquidator will need a few days to assess the situation and he will then, no doubt, be in touch with creditors, including the Government."

## Minister to hear advice on Furness Withy deal

BY JUSTIN LONG

THE GOVERNMENT is to consider whether the purchase of a submajority shareholding in Furness Withy and Co. by Eurocanadian Shipholdings should be referred to the Monopolies and Mergers Commission.

The decision will be taken by Mrs. Shirley Williams, Prices and Consumer Protection Secretary, in the light of advice from the director-general of Fair Trading, the Lords were told yesterday by Lord Jacques, Government spokesman on prices.

The director-general would obtain information from all the principal parties, including the trade unions and others who might have a relevant interest in the deal, before Lord Shinnell, who raises matters from the Labour side, maintained that the shipbuilding line was of the utmost importance to Britain. He urged the Government to act with utmost urgency in order to ensure that this British ship company remained British.

Lord Jacques assured him the Government would be taking action, if this proved to be a "We know exactly what we are doing here," he added.

The deal would be necessary, action could be taken under the Fair Trading principal parties, including the or the Exchange Control A

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## The Executive's World

EDITED BY JAMES ENSOR

## John Wyles assesses the prospects for Harland &amp; Wolff, the shipbuilder which is the Lifeblood of a troubled province

ALTHOUGH all of the United Kingdom's shipbuilders are offering extreme difficulties because of the world shipping slump, the current crisis at Harland & Wolff in Belfast is perhaps the most critical. It is afflicting a shipyard which is not only one of the most modern in Europe but which is also the lifeblood of a deeply troubled province.

It is not yet clear whether people in Northern Ireland generally are ready to believe at Mr. Stanley Orme, the Minister of State for Northern Ireland, meant what he said fortnight ago when he urged management and unions to accept a 10,000 jobs at Harland & Wolff were in jeopardy unless current losses were contained and some profitability assured after 1978.

Such a shell-shocked community there is an understandable reluctance to accept at a British Government could say the last rites over an enterprise which was a lynchpin of the U.K.'s shipbuilding effort during the last war and which is still one of the main arteries of the Northern Ireland economy. The oncoming upheaval and the political risks of a shutdown would be enormous and, it is often said, they would be taken if Britain was bent on a withdrawal from the province.

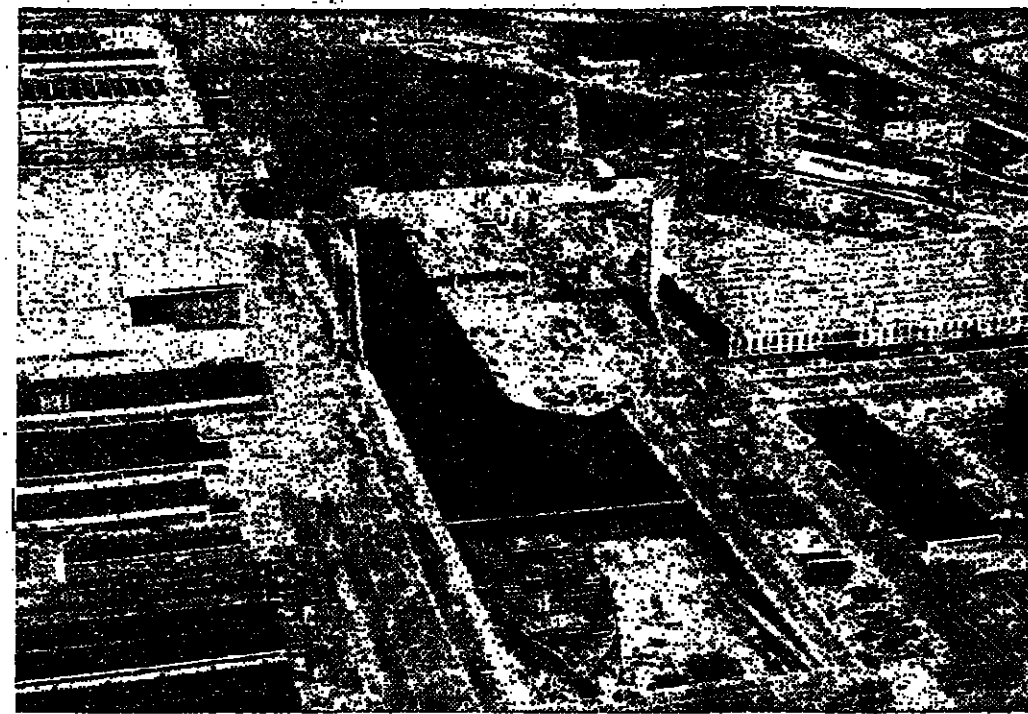
Nevertheless, the statistics which show a sharp decline in the output of the great white elephant of U.K. shipbuilding are quite familiar. The yard has not made a profit since 1963 and by 1978, if not before, it will have absorbed £140m. of Government money to cover its escalating losses and a modernisation programme which makes it the best-equipped in the U.K.

The firm will lose money on all of the 13 ships, worth £370m., now on its order book. When it seemed that even the "final" £80m. promised by the Government when the yard was taken into public ownership earlier this year would not be enough to cover projected losses, Mr. Orme clearly decided that shock tactics must be tried where massive investment had so far failed.

Mr. Orme has decided that the recipe for Harland's must now also include greater productivity, tighter control of costs and a major exercise in worker democracy.

Although shop stewards' resistance may delay the appointment of worker directors under Mr. Orme's plans for reconstituting Harland's Board, work is going ahead on a major expansion of industrial democracy through the creation of joint-decision making committees at various levels within the yard.

Outside the shipyard, there are those in Northern Ireland who think that this revitalisation exercise has come too late to cope with the legacy of bad strategic decisions by management and a complacent workforce.



Not surprisingly there is much more optimism inside the yard where the new plant and equipment spread over the 260-acre site has produced the feeling "if we can't do it, then nobody can." But the U.K.'s most modern shipyard at the moment is probably its most inefficient and the priority task facing management and unions is to convince Mr. Orme by Christmas that there is a real prospect of improving the present performance of around 53 man hours per ton of ship produced to around 40 hours per ton by the middle of next year—a still modest target in comparison to output at some other British and foreign yards.

The strength of claims that the company has been "blown off course" by spiralling inflation and a damaging steel-

workers' dispute in 1973 has to be acknowledged. But the modernisation programme itself may well have been a major factor together with managerial instability and a drift into apathy by the labour force.

Harland and Wolff decided in 1967 that with the trend towards ever bigger tankers, the yard's future must be based on a capacity to match the biggest and the best that the Scandinavian and Japanese could produce. Accordingly, a new building dock was constructed capable of producing tankers up to 1m. tonnes. Still banking on an expanding market for vessels of this size and larger, it was realised that the company's ability to compete on price and delivery would be curbed by its existing steel fabricating facilities.

At 100,000 tonnes of steel, the fabrication of a ship hull is limited to one large tanker and one bulk carrier when the labour force and shipbuilding plant were clearly capable of more.

Under its then new managing director, Danish born Mr. Ivor Hoppe, Harland and Wolff therefore embarked in early 1973 on an ambitious £35m. scheme to raise steel fabricating capacity to 200,000 tonnes a year. At the same time, orders were accepted for several tankers of 300,000 tonnes or more, including six 330,000 tonne ships for Maritime Fruit Carriers. Orders for three of these were later cancelled, thereby reducing the scale of the company's projected losses.

Thus, the yard was trying to cash-in on the tanker boom and at the same time push through the capacity expansion scheme. But this disrupted the flow of the yard's steel throughput and therefore its shipbuilding activity. According to some accounts, shipbuilding at times became a major exercise in improvisation, productivity fell, and with management's financial controls already under pressure forecast losses escalated through general price inflation. Although the situation is now much improved, the steel fabrication scheme has fallen behind schedule due to outside contractors' delays and will not be completed before the middle of 1978.

Against this background, the yard's hopes of containing losses on fixed price contracts and of meeting delivery dates were well and truly wrecked by a prolonged steelworkers' dispute from February to June 1973.

This brought to a head a simmering personality clash between Mr. Hoppe and some of the yard's shop stewards, particularly Mr. Sandy Scott, the influential leader of the Boiler-makers' Amalgamation. Mr. Hoppe still occupies pride of place in the shop stewards' demagogues despite his departure 15 months ago.

With the yard well on the way to a £165m. trading loss for 1974, a successor to Mr. Hoppe

was urgently needed to establish direction, if not continuity, at the yard. Although there were more than 90 applicants for the job it was not until nearly 11 months after Mr. Hoppe's resignation that Mr. Ronald Punt, a quietly-spoken 51-year-old Yorkshireman who was the yard's assistant managing director in charge of ship production, was appointed managing director by a selection committee which included two trade union representatives.

During the intervening period, a four man executive committee had taken on the managing director's functions and decided as a matter of policy to avoid taking decisions of principle which might compromise Mr. Hoppe's successor. A concerted attempt to boost performance is now being mounted by a range of production committees and by a joint task force set up at the suggestion of Mr. Orme. Among other things the task force will try to deal rapidly with bottlenecks and difficulties which still exist because of delays in the modernisation programme.

At the same time it is hoped that the proposed new worker participation machinery will tackle what is widely seen as a lack of motivation among sections of the workforce.

The lack of definition about attitude problems at Harland and Wolff makes a specific solution more difficult to find than if the yard were beset by more of the traditional forms of labour unrest in shipbuilding. In fact great strides have been made on this front and in the process one or two of the unions' sacred cows have been slaughtered. Harland shop stewards claim to have been years ahead of their colleagues in other U.K. shipyards in accepting flexible working arrangements designed to eliminate demarcation disputes. They have also accepted the introduction of semi-skilled workers in traditional 100 per cent craft areas together with changes in customary manning arrangements.

Thus most of the ingredients for possible success can be found at the yard. Mr. Orme must now be fervently hoping that the right mixture will be found to lift the shadow of closure hanging over the yard.

## Freudian Management

By PAUL LENDVAI in Vienna

COULD IT BE a symbolic coincidence that the Herstein Management Centre, the pioneer of a new, anti-authoritarian approach to management training in Austria, is located almost exactly opposite the house in Vienna's Berggasse where Sigmund Freud lived and practised for over four decades? Maximilian Fink, the 38-year-old director of the centre, is keenly aware that the "management by objectives" system can no longer be defined merely as "a set of goals and strategies" for a company, but more and more as "a complex system of economic and primarily human aspects."

The opposition of the relatively small but increasingly prestigious centre to what Dr. Fink calls the "purely technocratic approach" (growth objectives, maximisation of profits, hierarchy, performance, etc.) is deeply rooted in the peculiarly Austrian system of social partnership. It was the Vienna Chamber of Economy which in 1965 gave the go-ahead signal and provided the necessary funds to set up a modern management training institution. The courses and conferences are mainly held in the picturesque Herstein castle, about 40 miles from Vienna, hence the name of the centre.

Though a relative newcomer to the international world of business schools and management centres, Herstein has a rapidly growing reputation with 20 per cent of the 2,500 participants this year coming from abroad, mainly West Germany and Switzerland. Senior managers from Daimler Benz, Volkswagen and Ciba; top management from the Austrian subsidiaries of multinationals; and the foremost Austrian companies attend the 80-100 courses which last from three days to up to four weeks. No course exceeds 20-25 participants thus encouraging a sense of involvement and openness of discussion.

Dr. Fink and his associates feel that in the age of participation and industrial democracy the classic functional-organisational schemes no longer suffice. The report an Austrian working party submitted to the European Foundation for Management Development conference in June pointed out, for example, that "Management attitudes are very rigid when it comes to considering the capabilities, needs and attitudes of employees with regard to participation, the taking over of responsibility, and sharing the means of production."

This is the reason why, in addition to the usual management courses, Herstein has devised a highly popular course on the new tasks faced by management operating under the conditions of "Mitbestimmung." In Austria, directly elected worker-directors constitute one-third of the membership of the Supervisory Board. Management training centres should create an early warning system on the socio-economic environment, in the opinion of the Herstein team. There is no "Herstein model" as such, but rather a flexible and outward-looking approach.

The centre also acts as consultant to Austrian enterprises in need of creative management, or adjustment to changed marketing conditions. In this capacity Dr. Fink introduced a second system of decision-making and target-setting units at Gebauer and Lehner, an Austrian company with 380 employees manufacturing equipment for the heating industry. The "production committee" consists of a production manager, two men from production middle management, one from marketing middle management and one from the production line itself (a supervisor). This committee operates without a chairman and is free to make all decisions about production without consulting top management—provided the decisions do not impinge on other decision-making units—and that costs can be recouped within a single financial year.

So far about 14,000 Austrian and foreign managers and executives have attended the Herstein courses. As from next autumn, a new wing with 12 rooms will be added to the Herstein castle which at present provides accommodation for 75 participants. Fees, including full board at the castle, range on the average from £100-£150. Due to the preferential rates, charged for Austrian small businesses, the Vienna Chamber of Economy, which also owns the castle itself, has to contribute about £25,000 to the £400,000 annual budget.

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## BUSINESS PROBLEMS BY OUR LEGAL STAFF

## Dollar premium

Could you please quote the formula for calculating the dollar premium, indicating which items are fixed and which variable, with particular reference to the particulars given each day in the Financial Times?

The investment dollar premium stems from exchange control regulations which stipulate, inter alia, that a U.K. resident wishing to invest abroad, either in shares or property, can do so only through a special pool of investment currency.

In order to gain access to this pool of funds, a premium has to be paid over and above the exchange rate ruling between the pound sterling and any overseas currency.

Since the pound has floated, the market has worked on the last officially quoted parity for the pound of \$US3.60. Adherence to this rate is to facilitate dealings in investment currency which is bought and sold by institutional dealers for their own purposes.

It will be appreciated that continually to adjust for changes throughout the day in the actual rate of exchange would be impracticable. As sterling is being traded at levels substantially below \$2.60, the effective cost of investment currency is very much less than the market rate. The effective rate can be found from: (nominal premium + 100) x by the spot exchange rate over 2.60 minus 100.

Taking the nominal (market) rate as 96 per cent based on \$2.60 and the spot rate of sterling as \$2.20, the effective rate for the premium of 55.85 per cent.

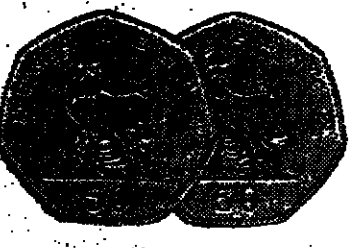
Under existing exchange control regulations, one-quarter of the dollar premium content accruing to a seller has to be surrendered to the U.K. authorities.

The Conversion Factor, shown in the FT each day at the foot of column one of the Share Information Service, was designed by the Stock Exchange authorities for use by non-U.K. residents to ascertain the net price of an overseas security quoted in sterling, must include the investment premium. A price of 158p inclusive of the premium multiplied by a Conversion Factor of 0.6254 would give, roughly, 98p, which represents the price to a non-U.K. resident.

## Second hand goods

Can you please offer an explanation of the rules of VAT as applicable to second-hand goods and materials? For instance, I have been charged 25 per cent on the full purchase price of a second-hand motor mower — whilst occasional purchases of much the same value bought at auction have resulted in no VAT at all to the buyer. VAT laws do not generally distinguish between new goods and second-hand goods. Broadly speaking, goods sold by a trader registered for VAT attract VAT on the sale price, but goods sold by a private individual (or a small exempt trader) do not. Goods sold at auctions of the type which you have in mind will generally be offered for sale on behalf of private individuals. No legal responsibility can be accepted by the Financial Times for the accuracy of these columns. All queries will be answered by post as soon as possible.

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# Mortgages: the dilemma of the deserving

BY MICHAEL CASSELL

ONLY SIX MONTHS have total mortgage market. A year since the Government introduced the figure more than doubled, with advances reaching £100m. But such have the difficulties in putting operation that even now read doubts as to the of the entire exercise, may well be extended.

## Thwarted

Mr. Anthony Crosland, Secretary for the Environment, in early May, said that the Government's desire to expand ownership of housing was thwarted by growing opposition on local authority and financial fronts. Largely in the name of municipalisation, the local authorities' refusal of private sector by local authorities for it had been decided, said Crosland, to switch from an area which had in direct opposition to policy: the funding by of home ownership.

move took local authorities by surprise, while building societies, although had been briefly consulted the announcement, had old little about the role ere meant to play.

decision brought the rapid growth in local to home loan pro- £44m. had already been paid to a virtual halt. In out or been committed by the councils had lent £133m. time of Mr. Crosland's announcement. As a result, se buyers and accounted here 3 per cent. of the GLC mortgage lending activities

have been almost totally suspended, with "priority" categories alone being considered for the meagre £1m. left to be spread out until the end of next March. Next year's budget has also been fixed by the GLC at £55m. Among the priority cases will be homeless London residents, those living in overcrowded or unhealthy conditions, single-parent families and people displaced by new development.

## No risks

The pattern has been repeated throughout the country, especially in other major centres such as Birmingham and Glasgow, and frustration at being unable to carry through the planned programmes has been mounting as efforts to put the building societies' good intentions into effect have become more drawn-out.

One of the barriers in the way of what many imagined would be a speedy and sensible solution to the local authorities' dilemma has been the organisational problems which have arisen. As soon as the Government's intentions were known, the building societies emphasised that they were anxious to help while the councils, in turn, said they would be glad of it. But the first stumbling block arose when the procedure favoured in most cases by both building societies and local authorities was firmly rejected by the Department of the Environment.

This was the suggestion that societies would simply advance sums of money to individual authorities for use as they sought fit. It appeared to the building societies because they would not be taking any risks and could expect prompt repay-



Mr. Anthony Crosland, Secretary for the Environment: his decision to curb local authority mortgages took councils by surprise.

ment of their loan. The councils were also pleased at the prospect of retaining as much control as possible over lending policies.

The Department of the Environment, however, refused to allow local authorities to embark on a course of action which would further raise public borrowing at a time when the case for reducing it was overwhelming. The only acceptable pattern, it became clear, was for local authorities simply to refer mortgage applicants to societies, who

would consider them in the normal way. Both the Department through its regional controllers, and the Building Societies Association, which set up seven regional controllers, began a series of joint meetings to decide how the available funds would be split up and which areas should be designated as top priority, and to formalise the distribution pattern throughout the country. The DoE then informed the local authorities concerned of just what they could expect and from which societies finance would be available.

## Priorities

Several authorities have, however, questioned the order of priorities which has emerged in the decision over how the £100m. cake should be divided. For example, the GLC feels that it has done badly out of an arrangement which has designated £30m. for the London region but has left the GLC area with only £2m., roughly the equivalent of one normal week's lending quota.

But at least, after protracted discussions, machinery—albeit rather rudimentary—in dis- pense the £100m. does now exist. Applicants for a local authority mortgage will, in many cases, first be vetted by the council and then passed on to a designated building society office with a letter of introduction or simply referred direct to a society branch when they make their inquiries at the town hall.

It is at this point that the entire point of the plan may be lost. For, although the building societies wasted no time in showing their willingness to assist Mr. Crosland—and prospective owner occupiers—they

made it equally clear that the money available would be advanced on their terms. The gap between these and the requirements of a local authority in terms of an applicant's suitability is in many instances very wide.

Most local authority mortgage schemes are based on a "social lending" doctrine which exists to help those who could not, for a variety of reasons, expect to receive the more traditional form of assistance from a commercially oriented source. Several local authorities have, somewhat exasperatedly, pointed out that the first pre-condition of their own home loan schemes is that the applicant must have applied for a building society mortgage and been turned down.

While there have been indications that the societies will, in certain cases, be flexible about the type of property on which they lend—something which happens already—it seems most unlikely that they will advance money on some of the properties which are normally acceptable to councils. Neither do they show any inclination to relax their rules about personal qualifications, and, in particular, about the maximum size of an advance in relation to the borrower's income.

## Stance

Critics of this seemingly unshifting stance claim that it contradicts the building societies' strong desire not to be seen as mere money lenders but as a socially motivated movement. They feel the present situation could finally determine the real strength of this commitment.

The feelings of many who

have watched the recent events to the movement's projected 1975 lending quota, there will not be any queue jumping in this sense. The would-be council borrowers, however, will receive preferential treatment in that they should not have to wait as long as the ordinary candidate for a mortgage.

The societies' answer to this not infrequent criticism is straightforward. The rules which they apply, both for the property they lend on and the people they lend to, have provided them with a minimal bad debt record which is the envy of other lending institutions. But, apart from this, the societies feel that their rules make social as well as commercial sense.

They believe that people should not be encouraged to overstretch themselves, although with the fast disappearance of the private landlord in some parts of the country many will have no choice but to do so.

Perhaps of even more importance to the societies is the position of their own prospective borrowers, most of whom at present stand little or no chance of obtaining a loan unless they have been investors, saving steadily for at least six months. Societies' executives rightly ask if people referred to them from local authorities should take precedence over the many thousands to whom no risk is attached. If, however,

the £100m. is really in addition to the movement's projected 1975 lending quota, there will not be any queue jumping in this sense. The would-be council borrowers, however, will receive preferential treatment in that they should not have to wait as long as the ordinary candidate for a mortgage.

## Criticism

To the criticism that the societies' reluctance to broaden their lending horizons will leave all but the best risks without any chance of buying the home they might well have obtained with the aid of the council, the movement says that local authorities have been lending largely to people who, in any case, would qualify for a building society mortgage. Few of the people re-directed towards building society branches should, therefore, be disappointed and most of the money will go without any "bending" of the rules.

There is, without doubt, a grey area in which some, perhaps many, people will find themselves trapped: acceptable to a council which has no funds and yet unwelcome to a building society with no shortage of money. It was suggested at one stage that councils should be given the power to provide topping-up loans for building society mortgages or that societies should receive a guarantee on that proportion of a loan in excess of what would normally be granted. Such ideas came to nothing.

The societies will, without question, stand by their commitment to lend the £100m.—and possibly more next year—but whether the money will help those most in need is not as certain.

## Letters to the Editor

### Property asset valuations

The Chairman, Valuation Standards Committee, Royal Institution of Chartered Surveyors.

Lex is correct (October) implying that companies to side step Royal Institution of Chartered Surveyors. This is not the case. The Companies Act 1967 is drawn in such a way that directors need hardly service to it.

RICS supports the Sandi- proposals on valuation of assets. It is to be hoped Government will introduce legislation which will require directors to have property valued at suitable intervals and for such as to be incorporated in annual report, with the valuation carried out on a basis by a suitably qualified person. The institution would see to see valuation certificates published in annual report that the value would be the same degree of responsibility and sanction as is now by the company's auditors.

Unit Street, S.W.1.

### P and loan ds

The letter by Mr. J. H. on Sandilands and CPP is on the accounting pro- from the accusation that counting is irrelevant in circumstances, and yet man not only fails to a a suitably qualified person deemed to be capable of making a virtue out of a complete travesty of

of money, whom elevated to the status of stockholders, lend their terms which, in their it, adequately compensation for the use of the anticipated inflation, and with regard to repay- They carefully avoid any nent in risk management reby abrogate themselves as if the assets financed loans decline in value, e to suggest that the risk- equity shareholders have at their expense when increase in value must be a dangerously mislead- philosophy.

son, edge, Womersley Park, lford, Surrey.

### the expense the creditor

frs. Bernice Cohen.

I have followed the on the Report on Inflation ing over the past few and was particularly ed to read the one by A. J. Merrett and Allen October 15) which illu- relevance of Sandilands ing to company assets— id be very interested to w the two learned gentle- uld view the liability of a term loan, used in the tical example given, in: inflation accounting with reference to the decrease in real terms of the sum originally borrowed, not money borrowed in a

time of high inflation actually become discounted on an annual basis if inflation accounting techniques were used to evaluate it? If this is so how would the liability be reassessed annually in the accounts to reveal this undervalued "discount"? That the company was gaining at the expense of the creditor. Or would it be imprudent to even discuss it?

Bernice Cohen, Crossgates, 2, Poynter Lane, Southgate, N.14.

### Buying unseen

From Mr. G. Dewes.

Sir,—It seems odd that investors can be asked to subscribe towards £15m. for a London borough when the latest audited accounts they can see are some two and a half years old. This is what Islington did in September when its net loan debt was £173.4m. (as at last March) and its rateable value was £49.5m. But the last audited accounts available for inspection are those for the year ending March 1972. (I know the council had a strike last year). Is there not a gap in the law here, after all, generally speaking, companies have to produce accounts within six months. Delighted with the £15m. the council has just circulated house- holds with a pamphlet called Focus which asks residents how they would like the money spent?

G. Dewes, 7, Wynyard Street, E.C.1.

### Communications network

From the Telecommunications Manager, Unilever.

Sir,—I am sorry the headline given to the article on Unilever's private communications network on October 20 severely distorted the situation.

We wish to make clear that neither we nor any company can "live without the Post Office" in the provision of private communications.

The Post Office involvement is vital and we have always been fully acknowledged the wholehearted contribution the Post Office has made. Our Press release for the network opening clearly states the P.O. involvement in our planning, implementation and subsequent maintenance of the network.

T. W. Baker, Blackfriars, E.C.4.

### Wealth tax and works of art

From Mr. D. Mahon.

Sir,—Mr. Michael Thompson Noel's thorough review (October 18) of the considerations relating to works of art which will have to be carefully weighed by the Select Committee on the Wealth Tax is most timely.

The concept of public access which usually enters in discussions of the topic, is a pre-occupation of Mr. Hugh Jenkins, who however neglected to clarify to the Committee how precisely the abstract principle is to be interpreted in concrete practice.

Moreover, there is no basis for Mr. Jenkins' ineradicable assumption that private ownership of such objects implies that they must be hoarded away from the public. Since many thousands of them are already voluntarily accessible in one way or another, the Minister is merely persisting in beating his head on what is largely an open door.

Professor Hale, National

Gallery chairman, is quoted as confirming the repeated evidence to this effect given to the Select Committee; for example, I was able to reply that I must have made hundreds of loans to temporary exhibitions.

The real problem is whether, and to what extent, a voluntary system which is working reasonably well requires reinforcement by fiscal sanctions. And, in considering this, careful thought has to be given to the practical implications of any legal stipulation which might be envisaged. Innumerable collections, or even isolated objects, are in small houses or flats which cannot be expected to be accessible in the same way as those in historic mansions, not least for compelling reasons of security and insurance.

We are thus left with "willingness to lend" temporary exhibitions appropriate objects which are not otherwise accessible (whether regularly, or by appointment) and which can be so lent without physical risks. In this connection the Arts Council raised in evidence the possibility that whenever the refusal of a request for a loan to a reputable and secure public exhibition was judged by the Treasury, fortified by competent advice, to be unjustifiable, the object concerned might become eligible for assessment for wealth tax. This could serve to ensure that the community would benefit proportionately to any lack of public spirit among collectors.

Dennis Mahon, 33, Cadogan Square, S.W.1.

### Impossible to administer

From the Hon. Sec., Heritage in Danger.

Sir,—Mr. Michael Thompson Noel in his article (October 18) clearly sets out the immense and irreparable damage which our cultural heritage would suffer if a wealth tax were to be imposed on works of art.

May I recall the reasons which led the U.S. Congress in 1954 to exempt all household belongings from personal property tax? The minutes of the proceedings recorded that "It was difficult to administer, taxed only honest men who reported accurately their household goods, and was not closely related to ability to pay."

Further, in 1961 the first recommendation of an Advisory Commission to Congress was: "Each State should take a hard critical look at its property tax law and rid it of all features that are impossible to administer as written, whose effective administration would be intolerable, which force administrators to condone evasion and which encourage taxpayer dishonesty. To protect the integrity of its tax system, no State should retain in its property tax base any component that it is unwilling or unable to administer with competence."

These arguments apply with equal force in Britain.

Hugh Leggett, 30, St. James's Street, S.W.1.

### The price of milk

From the Export Director, L. E. Pridelitt and Co.

dairy farmer, it has obviously not provided the complete answer.

The solution lies in the public paying a price for milk which reflects its true value, and not the artificially low level because successive governments have deemed such actions, to be politically and socially expedient. Quite frankly, I do not believe that the public appreciates the value for money offered by the humble "pint" or the labour-intensive processing and transportation that is involved in ensuring that a pure, nutritious product is delivered daily to the doorstep. It is time that this state of affairs was rectified if we are going to retain an economically viable dairy industry in the United Kingdom.

Recognising that the MDK Marketing Board successfully promoted the sale and consumption of milk by the "Drinka Pinta Milk Day" slogan, I now believe it has a role to play in convincing the housewife that a price of 8p per pint is too cheap and in no way relates to its true value. It is of little value for the industry to keep repeating "We need more money," as this plea can be simply answered by saying "Don't we all?" Far better for the industry to strive to obtain a realistic price for its product(s) by embarking on a hard sell. One possible method would be for milk roundsmen to leave a pictorial leaflet at each customer's door illustrating how selling prices of a pint of milk to: A pint (20 fluid ounces) of British Railways tea and coffee, tonic waters, ginger ale, etc., etc. Such an approach may convince the housewife that milk still represents a very good buy when compared with these other items.

It is to be faced that the vast majority of the public do not understand the implications arising from the "Green Pound" system or any other aspects of the Common Agricultural Policy of the EEC, and it is my opinion that they are unaware of the difficulties which are facing the dairy industry in this country.

J. E. Ogden, Terminal House, 52, Grosvenor Gardens, S.W.1.

## Food, not feed

From Mr. A. Long.

Sir,—Mr. L. A. T. Moss of the National Federation of Meat Traders has rushed (October 17) into a hasty and wrong nutritional condemnation of foods based on soya beans. He tries to derive support from comments by a lawyer on which the British Nutrition Foundation Bulletin No. 15 observes: "These remarks were apparently not challenged by the defence and they illustrate how dangerous a little knowledge can be."

We know of third- and fourth-generation vegetarians in good health. Further, vegetarian children avoid the heavy intake of animal fat and danger of food poisoning that attend consumption of butcher's meat.

Protein-deficiency diseases are almost unknown in Britain; if anything, too much protein is consumed. Deficiencies observed in consumers of butcher's meat are in iron, folate acid and other B-vitamins, and in vitamin C. Adoption of vegetarianism would benefit consumers and British farming, and by reducing dependence on imported feeds, the country's finances. We should use soya beans as food, not feed, and foster attempts at using home-grown pulse-crops as food.

The Vegetarian Society, 53, Marlborough Road, Kensington, W.8.

## To-day's Events

### GENERAL

Mr. Denis Healey, Chancellor of the Exchequer, and Mr. Elliot Richardson, U.S. Ambassador to the U.K., attend International Chamber of Commerce dinner, Quaglino's.

Dr. Henry Kissinger, U.S. Secretary of State, continues talks in London.

Gen. Prince Fahd of Saudi Arabia continues official visit to Britain.

Sr. Agostinho da Silva, Brazilian Foreign Minister, continues visit to London and calls on Prime Minister.

Chairman and members of Trade and Industry Sub-Committee of House of Commons Expenditure Committee tour Motor Show, Earls Court.

Issue of Jane Austen stamps by the Post Office to commemorate 200th anniversary of her birth.

International Air Transport Association: traffic conference continues in Cannes.

PARLIAMENTARY BUSINESS  
House of Commons: Industry Bill, Lords' amendments.  
House of Lords: Sex Discrimination Bill, Commons amend-

ments. Community Land Bill committee. Counter-Inflation (Price Code) (Amendment) (No. 2) Order.

OFFICIAL STATISTICS  
Consumers' expenditure (preliminary estimate 3rd quarter).  
New vehicle registrations (September).

COMPANY RESULT  
Spillers (half-year).

COMPANY MEETINGS  
Associated Dairies, Leeds, 2.30.

Guinness, Peat, Winchester House, E.C. 10.30.  
Wood Bastow, Nottingham, 12.

CONFERENCES  
Financial Times conference on Asian Business in 1976, Hong Kong (second day).

Association of Women in Public Relations Forum, New Zealand House, Haymarket.

EXHIBITION  
Official opening by the Duke of Gloucester of New Materials and Design exhibition, staged jointly by the Society of Industrial Artists and Designers and the London Science Museum, South Kensington, S.W.7, at 7 p.m. (open to the public from to-morrow).

## COMPARATIVE STATEMENT OF CONDITION

	September 30	
	1975	1974
<b>Assets</b>		
Cash and Due from Banks	\$ 613,679,000	\$ 537,213,000
Time Deposits in Foreign Banks	240,065,000	245,641,000
U. S. Treasury Securities	78,841,000	63,806,000
Obligations of Other U. S. Government		
Agencies and Corporations	29,123,000	29,009,000
Obligations of States and Political Subdivisions	297,696,000	263,737,000
Other Securities	11,229,000	10,771,000
Money Market Investments	7,253,000	11,420,000
Federal Funds Sold	386,919,000	119,754,000
Loans	1,448,253,000	1,296,232,000
Bank Premises and Equipment, Net of Depreciation	46,390,000	46,207,000
Other Assets	62,033,000	47,366,000
<b>TOTAL ASSETS</b>	<b>\$3,221,481,000</b>	<b>\$2,671,156,000</b>
<b>Liabilities</b>		
Demand Deposits		
Individual, Business and Other	\$ 812,969,000	\$ 761,281,000
Banks	264,608,000	231,006,000
U. S. Government	1,871,000	18,006,000
<b>Total Demand Deposits</b>	<b>1,079,448,000</b>	<b>1,010,293,000</b>
Time Deposits	1,061,057,000	798,155,000
Deposits in Foreign Offices	355,750,000	342,025,000
<b>Total Deposits</b>	<b>2,496,255,000</b>	<b>2,150,473,000</b>
Federal Funds Purchased	496,695,000	325,177,000
Other Liabilities	61,789,000	47,115,000
<b>Total Liabilities</b>	<b>3,054,739,000</b>	<b>2,522,765,000</b>
<b>RESERVE FOR LOAN LOSSES</b>	<b>18,179,000</b>	<b>15,946,000</b>
<b>CAPITAL ACCOUNTS:</b>		
Common Stock—\$10.00 Par Value		
4,645,000 Shares Authorized and Outstanding	46,450,000	46,450,000
Surplus	46,450,000	46,450,000
Retained Earnings	55,663,000	39,545,000
<b>TOTAL CAPITAL ACCOUNTS</b>	<b>148,563,000</b>	<b>132,445,000</b>
<b>TOTAL LIABILITIES, RESERVE AND CAPITAL ACCOUNTS</b>	<b>\$3,221,481,000</b>	<b>\$2,671,156,000</b>

London Branch: J. C. Mortimer, V.P. and General Manager, Scottish Union House, 25, Bucklebury London EC4N 8DR. Telephone 01-248-3606 • Telex 885535, Incorporated with limited liability in the U.S.A. Main office: Robert C. Howard, Executive V.P., Houston, Texas 77001, U.S.A. Telephone 713-229-6672 • Telex FIRSTBANK 715491

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# COMPANY NEWS + COMMENT

## Marks & Spencer ahead after six months

AFTER PROVIDING £3.5m. towards the cost of funding its new pension scheme, Marks & Spencer, the St. Michael's stores group, were marginally higher at £23.9m. in the six months ended September 27, 1975, compared with £23.6m. from sales 22.9 per cent. ahead at £388.7m.

The directors point out that the additional cost of funding the new pension scheme is expected to be about £8m. for the full year. The rate of profit in the first half fell from 10.96 per cent. to 9.01 per cent.

In the U.K. store sales were buoyant during the first quarter, but the rate of increase has slowed down, the directors report. In the light of economic circumstances, they have reviewed forward budgets and have reduced stock levels. The plans and development programme in the U.K. is continuing.

Costs are still rising in every area, they stress. A new campaign has been started to achieve economies in all aspects of operations including the energy conservation drive which continues to make progress.

Adjusting for the one-for-one scrip issue made last July, the net interdividend is lifted from 1.125p to 1.2p. Last year's total was equal to 3.2372p and was paid on a record profit of £51.96m.

First half 1975 1974-75  
£'000  
Sales 239,725 236,049  
Costs 117,960 117,784  
Profit before tax 121,765 118,265  
Taxation 11,257 10,960  
Net profit 110,508 107,305  
Dividend 11,257 10,960  
Reserves 99,251 96,345  
Total 209,759 203,650

After depreciation (£4.9m. (£3.7m.))

The directors point out that the results of the Canadian group for the period from August 25 to January 31, 1976, will be reflected in the annual accounts. Its results have not been incorporated in the first half because of the short period which has elapsed since a controlling interest was acquired.

Referring to Europe, the directors report that the initial results of the group's development there are encouraging with the pre-opening costs to be absorbed, "we are not yet trading profitably."

Marks and Spencer on the Continent see Page 7

Statement Page 22

See Lex

ANNOUNCING first half pre-tax profits in line with the forecast at £94,000 against £95,000, Mr. N. Bellow, chairman of Marks & Spencer, said he expects the 12-month total at least to equal the £1.58m. reported for 1974.

"Looking to the future, 1976 would appear to present the group with above average growth opportunities," Mr. Bellow adds.

The interim dividend is raised from 1.125p to 1.2p net per 25p share. Last year's total was 3.2372p.

Mr. Bellow told the annual meeting in July that the half-year should produce an out-turn close to the first six months of 1974. He believed that 1975 would be a further record year for both turnover and profits.

The chairman reports that the first half has been a period of mixed trading results, with a slowing down of activity in the U.K., but with benefits from some of the world-wide activities providing compensation.

During the period Marks & Spencer has substantially completed its rationalisation of production activities both in Holland and in the U.K. and "this will lead to benefits in future profits," the chairman stresses.

Trading in the U.S. and Far East is currently improving, and the year's profit forecast is made with the proviso that this trend continues and trading in other areas comes up to present expectations.

Referring to Europe, the directors report that the initial results of the group's development there are encouraging with the pre-opening costs to be absorbed, "we are not yet trading profitably."

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roughly in line with gifts. And the buying prices have been held since then despite the fall in the gilt-edged market, thus increasing the attractions of selling to the company during the "limited" period.

## Ductile turns in £3.78m.

IN LINE WITH the March forecast of second half profits in excess of the £1.68m. reported for the first six months, Ductile Steels reports a pre-tax balance of £2.17m. for that period, giving a total for the year ended June 28, 1975, of £3.78m., compared with £4.63m. for the previous year. Sales improved by 5 per cent. to £37.3m.

Earnings per 25p share for the year are stated to be down from 19.74p to 18.83p. The final dividend is 2.49p net raising the total from 3.689p to 3.941p—or from 22.05 per cent. to 24.25 per cent. at the gross level, the maximum permitted.

Chairman, Mr. R. Sidaway, reports that during the year raw materials became plentiful but the order load rapidly diminished and the group experienced a severe trade recession, which resulted in most companies working at only 70 per cent. of normal capacity. In these circumstances he considers the results satisfactory.

The steel division contributed approximately 63 per cent. of group trading profits (62 per cent.) and most companies produced reasonable results despite raw material difficulties in the first half and lack of demand in the second.

The principal exception was Ductile Sheet Stockists which during the last quarter was forced to sell at depressed margins of competition from imports.

In the tube division demand for self-colour tube was greatly reduced but orders for Flo-Coat galvanised tube held up "remarkably well" especially in the export market.

The engineering division was affected by losses at a furniture manufacturing subsidiary which has now ceased trading.

Members are told that over the last five years the group has spent £44m. on plant and buildings and the severe recession has not been allowed to interfere with future investment plans. During the year £1m. has been placed for a new mill and a new mill and more than £3m. will be invested in these and other developments which should be in production by 1976-77.

Buying of the stocks by the company will continue for a limited period.

Glaxo's use of some of its current surplus cash to buy in two loan stocks is a relatively small operation involving a maximum of £24.8m. at current prices—and anyway the company is only likely in fact to purchase a minority of the outstanding stock. The prices of 23 1/2p for the 61 per cent. stock and 23 1/2p for the 75 per cent. stock were roughly 2p over previous prices when the terms were fixed last Thursday to give yields

External sales 1975 1974-75  
£'000  
Sales 239,725 236,049  
Costs 117,960 117,784  
Profit before tax 121,765 118,265  
Taxation 11,257 10,960  
Net profit 110,508 107,305  
Dividend 11,257 10,960  
Reserves 99,251 96,345  
Total 209,759 203,650

After depreciation (£4.9m. (£3.7m.))

The directors point out that the results of the Canadian group for the period from August 25 to January 31, 1976, will be reflected in the annual accounts. Its results have not been incorporated in the first half because of the short period which has elapsed since a controlling interest was acquired.

Referring to Europe, the directors report that the initial results of the group's development there are encouraging with the pre-opening costs to be absorbed, "we are not yet trading profitably."

Marks and Spencer on the Continent see Page 7

Statement Page 22

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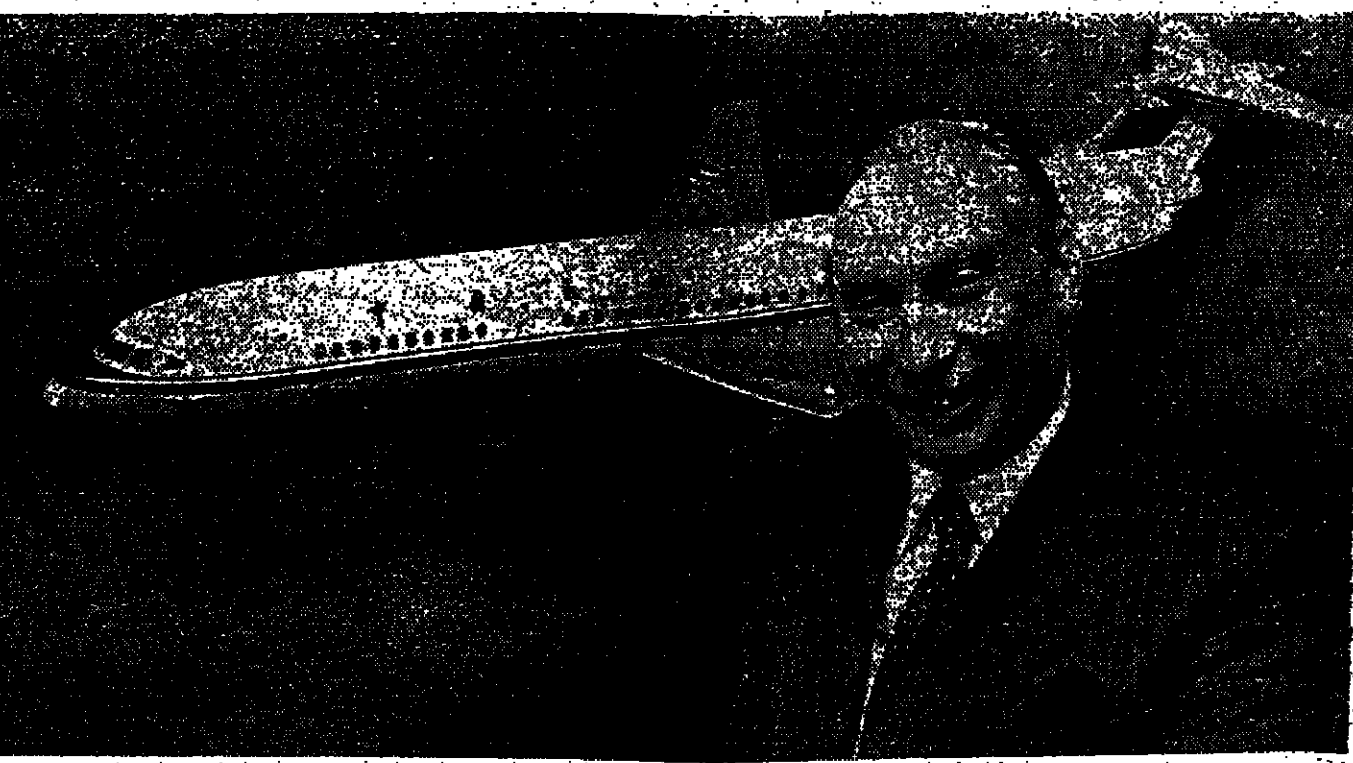
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Statement Page 22



Sir Arnold Hall, chairman of Hawker Siddeley, who yesterday reported first-half pre-tax profits of £24.9m. against £22. Pictured is the CAAC Super Trident Three, of which two have been delivered to The People's Republic of China.

### DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding payment	Total last year	Total this year
Associated Biscuit	1.21	Jan. 5	1.12	—	2.41
Ben Bailey	0.38	Jan. 8	0.38	0.74	0.88
Clayton Son	0.98	—	—	—	3.22
Dawney Day	0.5	—	0.34	0.5	1.21
Ductile Steels	2.49	—	2.41	3.94	3.99
Hawker Siddeley	6.14	Jan. 5	5.75	—	12.25
Marks & Spencer	1.2	Jan. 16	1.18	—	2.4
Stearns	4.26	Dec. 11	4.02	5.76	5.62
Peterson Zochonis	3.6	Dec. 1	3.91	—	8.13
William Pickles	0.24	Jan. 24	0.24	—	0.6
Staffex	1.2	Jan. 21	1.13	—	2.23
United Carriers	0.58	—	0.53	—	1.73

Dividends shown pence per share net except where otherwise stated.

\*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues.

and the effects of BSC price rises in the New Year have been partly offset by price weakness on the stockholding side. Capital expenditure of £1m. has been covered by net cash flow but a £2m. increase in working capital requirements, largely the effect of stockholding towards the end of the year, has boosted bank borrowings from £121,000 to £263,000 or about 8 per cent. of shareholders' funds. Although profits will be under pressure this year, the company is using its strong financial base to embark on further capital expansion. On a longer-term view, a p/e of 4.1 and a yield of 8.6 per cent at 67p, covered four times, could be attractive.

breaking into this market, but was now moving into profit.

In South Africa, prospects were "bright," but the recent devaluation of the Rand would adversely affect the contribution of profit in the group's results.

As known, an unchanged net interdividend of 0.8p per 25p share has recently been paid.

Total for the year 1974 was £415p paid from net attributable profits of £1.96m.

Consolidated net assets stood at £108.1m. at June 30 (£79.8m. at end-June 1974 and £88.73m. at December 31, 1974) including the investment currency premium where applicable the contingent 25 per cent. surrender was £5.74m. (£3.22m. and £24.8m.). Stated net asset value per Ordinary was 161p (137p and 98p).

Since June 30, 1975 a new five-year loan of \$US\$5m. has been arranged.

In April 1975, the holding in Centenary Trust, a unit trust registered in Luxembourg, was raised to 62 per cent. and results since that date have been consolidated in the Trust's figures.

Experience had shown, reported Mr. Scholes, that the fall in demand from the architectural market was more than the 50 per cent. expected and order-taking had as a result shown a sharp drop.

The chairman added that an improvement was now apparent in the housing market and said the outlook was also promising in the home improvement market, now worth more than £100m. a year nationally—the group had incurred some initial expense in

the second half.

Mr. Scholes reaffirmed that a reduction in bank borrowings was a prime objective, but said the budgeted improvement in the group's cash position had been delayed, due to a continuing need at present for working capital.

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## Utd. Carriers rise

FROM TURNOVER up from £40.1m. to £49.9m., pre-tax profit of United Carriers, the express parcels company, improved from £568,000 to £768,000 in the six months to August 2, 1975. For the year 1974-75 profit was £1.03m.

Mr. Graham Millard, chairman, says that continued uncertainty over the economic state of the country makes forecasting for the full year difficult, but he is "encouraged" by the results so far.

Stated earnings per 10p share are up from 2.8p to 3p and the net interdividend is lifted from 0.625p to 0.56025p, the maximum allowed. Last year's total was 1.725p.

In their interim statements directors state that dividend income will well exceed







# St Michael's Marks & Spencer

The unaudited trading results of the Group for the first half of the Financial Year ending 31st March 1976, are announced as follows:-

	26 Weeks ended: 27th Sept 1975 £000's	26 Weeks ended: 28th Sept 1974 £000's	Inc./Dec. %
<b>SALES</b>			
Store Sales in the United Kingdom	289,782	236,040	22.8
Clothing and other merchandise	117,960	94,724	24.5
Food	3,484	—	—
Store Sales of European subsidiaries	411,236	330,784	24.3
Less: VAT	20,881	18,833	—
	390,245	312,131	25.1
Direct Exports to Overseas Customers (excluding European subsidiary companies)	8,393	9,875	13.3
<b>TOTAL GROUP SALES</b>	398,738	322,006	23.9
<b>PROFIT BEFORE TAXATION</b> after depreciation of £4,040,000 (1974 £3,750,000)	35,917	35,255	1.9
Rate of Profit	(9.01%)	(10.96%)	—
Less: Provision for Taxation @ 52% (1974 52%)	18,650	18,300	—
<b>PROFIT AFTER TAXATION</b>	17,267	16,955	—

## NOTES

1. The additional cost of funding the new Pension Scheme is expected to be approximately £3,000,000 for the full year, of which £3,500,000 has been charged in arriving at this half year's profits. The new Scheme provides much improved benefits for all members of the staff, including part-timers for the first time.

2. The half-year figures do not include the sales or the profits of our Canadian subsidiary, the controlling interest in which was not acquired until 15th August 1975. They do include the results of our European subsidiaries.

## INTERIM DIVIDEND

The Directors have declared an interim dividend of 1.2 pence per share compared with 1.125 pence last year. Last year's figure has been adjusted pro-rata to take account of the one for one scrip issue made in July 1975. Together with its associated Tax Credit, this year's interim dividend represents an equivalent gross amount of 1.8462 pence per share, compared with an adjusted figure of 1.8791 pence per share last year, an increase of 9.9%. This dividend will be paid on 16th January 1976 to shareholders whose names appear on the Register of Members on 20th November 1975.

## THE HALF YEAR'S RESULTS

United Kingdom  
Store Sales were buoyant during the first three months of our financial year but the rate of increase has slowed down. In the light of economic circumstances, we have reviewed our forward budgets and have reduced stock levels. We continue our planned store development programme in the United Kingdom.

Costs are still rising in every area. We have started a new campaign to achieve sensible economies in all aspects of our operations including our energy conservation drive which continues to make progress.

Canada  
We completed our acquisition of 55% of the issued share capital of Peoples Department Stores Ltd. of Canada on 15th August. The trading results of the Canadian Group for the period from 15th August 1975 to 31st January 1976 will be reflected in the Annual Accounts. Their results have not been incorporated in this six months' figures because of the short period which has elapsed since we acquired our controlling interest.

Europe  
The results of the Group include six months trading of our French and Belgian subsidiaries. At this early stage of our European development the initial results are encouraging but with the pre-opening costs to be absorbed, we are not yet trading profitably.

## COMPANY NEWS

# Hawker Siddeley improves to £24.9m. at halfway

EXCLUDING Hawker Siddeley Canada, pre-tax profits of the Hawker Siddeley Group improved from £23.18m. in 1974 to £24.9m. in the half year ended June 30, 1975, after an interest charge of £2.45m. compared with income of £27,000.

After tax and minorities and taking in a net amount of £13.3m. compared with £12.3m. in respect of HSC, there is a balance attributable to the group of £13.3m. against £13.47m. Earnings per £1 share are stated at 27.0p against 25p.

The net interim dividend is raised from 5.75p to 6.15p—equal to 9.440p (8.550p) gross. For the year 1975, a total of 12.564p net was paid from attributable profits of £27.36m. which included £2.7m. in respect of HSC.

Sales—	1974	1975
U.K. home	123,000	115,000
U.K. export	108,000	110,000
Overseas companies	38,000	48,000
U.S. sales	26,000	29,000
Trading profit	27,421	23,238
Interest charges	2,450	2,450
Taxation	13,100	10,901
Net profit	11,871	12,234
Minorities	12	23
Share of HSC net profit	1,237	1,234
Attributable	12,322	13,473
Interim dividend	5.75	6.15

The share of HSC's profit after tax attributable to Hawker Siddeley comprises (£200k) (£5,496), less interest £1,397 (£1,138), tax £2,597 (£2,012) and minorities £1,211 (£1,123).

It was announced in July that agreement had been reached in principle with Studebaker-Worthington Inc. (owner of 80 per cent. of the capital of Onan Corporation) on an arrangement which would result in both companies having equal holdings in the Onan stock.

This is expected to be accomplished by a combination of a tender offer at the same price to public holders for all the outstanding stock. If completed, it is estimated the approximate cost to Hawker Siddeley will be \$31m. of which \$33m. would be funded from own resources and the balance by a borrowing.

It is also envisaged that the right of either party to sell its interests in Onan would be restricted for 10 years and that in certain circumstances the group could purchase S-W's remaining interest.

The U.S. Department of Justice is examining the proposed transaction from the standpoint of the Anti-Trust legislation. As part of the transaction, a wholly-owned group subsidiary, would enter into a licensing agreement with Onan in respect of mechanical engine technology.

## BOARD MEETINGS

The following companies have notice dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends considered payable will be recommended or not. The information shown below is based mainly on the year's timetable.

**TO-DAY**  
Farnley-Ashby and Madder, Agri-Share Metal Products, Gill and Dunlop, Green's Economiser, Harrison and Cross, James's Patent, Laidlaw, Marshall's Universal, Sabat, Thomas, Sheffield Twist Drill and Steel, Spillers, West Bromwich Spring.

**FRIDAY**  
Coco Holdings, Lees, Benger, Gomme Holdings.

## FUTURE DATES

Interests—		
British Investment Trust	Oct	
Capper-Nell	Nov	
Cole (R. H.)	Nov	
Crossland (R. & A. G.)	Oct	
De Vore Hotels & Restaurants	Oct	
Downs Surgical	Oct	
Furness Wither	Oct	
Hambros Investment Trust	Oct	
James (Maurice)	Oct	
Northern Securities Trust	Nov	
Pratt (William)	Oct	
Fleets—		
American Oil Tools	Oct	
Gulfsink Property	Oct	
Investment & Property	Oct	



## FINNISH PULP and PAPER

The products of Finland's forest industry are of critical importance to the country's economy and foreign trade. The collapse of the world market for pulp, paper and similar manufactures has thrown up a host of problems—not least among them uncertainty over future trade patterns.

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liam Dullforce  
Nordic Correspondent

Last six months Finnish pulp and paper makers are in the position of peering anxiously for which must be just horizon but which appears. The elusive recovery, especially in Europe, which predicted for the autumn, has still not ed. The 15-20 per cent in pulp and paper on in Europe, compared with domestic cost in now by monetary is, has played havoc company finances. No pulp maker will make a 1975 and, although comparisons with the of the 1930s may be ed, a real crisis will be d. Hopefully—even if ously after previous industry analysts

anticipate a modest improvement next year, the market, they believe, has reached bottom, will slowly recover and should permit a return to a profitable level of production by the second half of next year.

Even so, there is some uncertainty about future consumption patterns, and the Finnish pulp and paper makers are having to deal with national problems, which have shortened their profit margins more than their competitors'. It is being widely said that only devaluation of the Finnmark at some stage will put the industry back on the path to profitability. The timing of a devaluation would be crucial: for with a foreign debt of around Fmk20bn (£2.5bn.) and no visible demand on the market, devaluation would for the time being be unthinkable, both for the national and the paper-makers economies.

Within the Finnish pulp and paper industry long-term confidence in the viability of its products is at present mixed with considerable confusion about short-term developments. The shock of the sudden and continuing collapse of the market at the beginning of this year has been all the greater after the boom conditions of 1974, when strong demand and soaring prices produced higher rates of return than the industry had enjoyed for many years. The forestry industry as a whole then contributed some Fmk10.7bn. to total Finnish exports of nearly Fmk21bn., with the pulp and paper makers alone accounting for 38 per cent of national exports—no vacations and the introduction

mean performance for an industry which employs only 50,000 people, including white-collar workers, and a tribute to its efficiency. During the first seven months of this year exports of paper, paperboard and converted products dropped in volume by 30.8 per cent, or from 2.8m. tons to 1.9m. tons. The value of exports rose by 1.1 per cent, to Fmk3.37bn., but the big price gains achieved last year are being swiftly eroded by soaring cost increases. Officially, the Finns are maintaining prices on the argument that "you don't gain anything by cutting prices when the demand is not there," but they are alarmed by the fall in paper prices, particularly on the West German market, where sales of some grades have taken place at prices which would barely cover the Finnish mills' pulp costs. In Britain, their biggest market, prices have been more or less maintained, but the Finns have been badly hit by the depreciation in the pound. Price policy is firm in principle, but it is accepted that the current pressures on the companies could force some of them to break the price front. Mr. Lauri Kivres, Managing Director of the Central Association of Finnish Forest Industries, underlines the need to keep the situation under constant review.

The big concerns have substantial hidden assets on their balance sheets and had windfall profits last year. Many mills belong to diversified groups, with production in other fields. Their solidity may not be endangered yet, but the fall in sales income and expensive borrowing to finance stocks and raise working capital is straining their liquidity. The companies have been encouraged by the Bank of Finland to raise

short-term loans abroad and some of them have been caught with dollar loans just as the dollar started to appreciate. Now the bank is tightening up on borrowing and, although the bigger exporting companies will fall within the export-promoting category, some of the smaller mills will be hard pressed.

### Intensified

The pressure on pulp and paper companies' finances has been intensified by the initiation of Finland, has experienced over the past two years. One reasonably typical company calculates that raw materials make up 65 per cent of its production costs, wages a further 20 per cent, and energy 10 per cent. The stumpage rates—or the prices companies pay for their wood—were nearly doubled last autumn under an agreement designed to keep farmers' incomes in line with industrial workers'. Prices have flattened out somewhat since, with some deals being made at a 20 per cent discount, but the impact on company costs has scarcely been softened. The Finnish pulp and paper companies, in contrast with the Swedish, own very little forest land in their own right. Moreover, a shortage of raw materials means that they have had to buy some 15-20 per cent of their logs from the Soviet Union, which negotiates an annual agreement in line with the domestic Finnish prices.

Labour costs are estimated to have risen by about 20 per cent last year following agreements which left workers with an increase in real incomes after a 17 per cent rise in the consumer price index. The collective agreements expire in January, negotiations will start this autumn—and another factor of uncertainty must be included in company fluctuations.

It is not surprising that, with such attacks on their costs and profit margins, financial directors are rather gloomily predicting that only a (poorly timed) devaluation of the Finnmark will serve their purposes. It is true that a similar situation last year prevailed just before the 1967 devaluation. The alternative would be a large enough increase in sales prices next year. One company calculates that a return to 85 per cent capacity utilisation and a price increase of around 10 per cent would see it back into the black. However, the general feeling is that the recovery next year will be gradual rather than explosive, and the existence of large stocks in the bulk products will not favour any substantial price improvements.

The pressure of cost increases on company profitability was illustrated in an article in the Finnboard newsletter earlier this year. A study of the average profitability of 12 major Finnish companies, who derive at least half their income from the forestry industry, showed that their average annual ratio of gross profit to sales was 9.7 per cent in the three years 1971-73. After the collapse of the market this year one company, which aims at a return on invested

capital of 10 per cent, anticipates a loss of between 2 and 3 per cent.

Inevitably, managing directors are at present reluctant to discuss investment plans. Another inhibiting factor on investment is the announcement by the Bank of Finland in 1969 that it would not approve financing sales; as long as the market is for new investments that increased the consumption of borrowing expensive, boards would, before the sufficiency of the wood supply had been ment decisions.

Some Finnish paper men speculate whether the shake-up in the industrial world brought about by the 1973 oil crisis may fundamentally alter consumption patterns. Consumers, for instance, could start objecting to excessive, costly packaging. Whether or not there is something in this speculation, it is an example of the uncertainty which prevails for the time being among the manufacturers.

### Processing

The trend is towards a higher level of processing and greater value added. Some manufacturers will continue with newsprint, because of the relative limits to the industry's expansion but at the same time produce a newspaperman, anxious vide it with the basis for the about future supplies, the Finns continuing development of new always point out that newsprint products of increasing value. It is also so essential a component of the Finnish economy improved newsprint, lightweight coated papers for newspaper and profit must eventually be and magazine use, which also met. In the long perspective, suits new offset printing techniques. Others, such as the worrying as it is, may seem to Kymmene group, are increasing by no more than a hiccup.

## Kymi Kymmene today.

### Renaming the Company

The Company's registered name, Kymyn Osake-Kymmene Aktiebolag, has proved too long and impracticable. We therefore have, effective September 1, decided to adopt Kymi Kymmene as the ordinary name of the Company. Kymi Kymmene is among the largest privately industrial enterprises in Finland. Our turnover exceeded one thousand million marks. The Company is organized into four main groupings: Paper, Primary Resources, Spring and Chemicals. The Company also has mills in Great Britain, West Germany, and the United States. Kymi Kymmene is the biggest Finnish industrial enterprise.

### Kymi Kymmene Paper

The Company manufactures approximately 15% of total Finnish paper production, i.e. its annual amounts to about 570 000 tons. Kymi Paper is responsible for well over 60% of company's turnover, or 722 million marks in 1974. Britain absorbed over 30% of the share of the 626 million marks. The Company operates two paper and a board mill in Finland. One of the paper mills makes high printing and fine paper qualities, the other newsprint and magazine paper. The Company's machines total fourteen. Kymi Kymmene is, with its British subsidiary, Star Paper, the leading European manufacturer of high quality paper and board qualities as well as of paper.

Kymi Kymmene Primary Resources The Company is the biggest private forest owner in Finland. Kymi Kymmene owns over 270 000 hectares of forests with an annual growth exceeding 100 million cu.m. The aim is, with the aid of efficient silvicultural methods, to improve the rate of growth in our forests to be one million cu.m. by the year 2000. The Company's water and steam power stations produce about 1 000 million kWh annually, or the part of our power requirements. The combined annual production capacity of our sawmills is 210 000 cu.m. or annual production of chemical pulp exceeds 100 000 tons.

### Kymi Kymmene Engineering

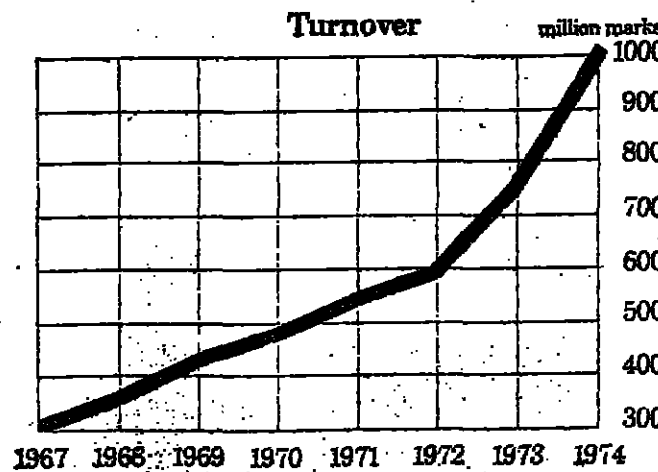
Kymi Kymmene Engineering accounted for 20% of the Company's total turnover in 1974. The production consists of thermal products, automatic controls, sanitary installations, gear boxes and industrial castings. Högfors Foundry at Karkkila is among the largest of its kind in Scandinavia. Exports account for about 20% of the output and are primarily concentrated on Scandinavia, West Germany and the Comecon countries.

### Kymi Kymmene Chemicals

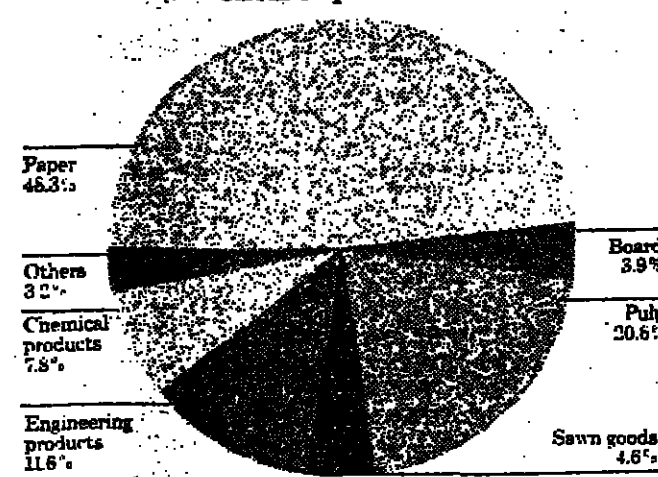
Production value of our Chemical Industry amounted to 113 million marks in 1974. Kymi Kymmene Chemicals operates two production divisions. The main products of the Kuusankoski division are bleaching agents for the wood processing industry and of the Porvoo division raw materials for the plastic industry. Much effort goes into research and development of new products, of which the fire-resistant polyester resin S-3 deserves a mention.

### Statistics for 1974

Turnover, million marks	1 150.6
of which exports, million marks	813.1
share of exports %	70.7
Increase in turnover %	61.5
Increase in exports %	56.6
Net profit, million marks	17.2
Depreciation, million marks	67.0
Net interest, million marks	57.0
Capital expenditure, million marks	86.4
Wages and salaries, million marks	211.7
Total amount on Balance Sheet, million marks	1 869.4
Liquid assets, million marks	364.4
Inventories, million marks	212.9
Fixed assets, million marks	1 289.7
Shareholders' equity, million marks	963.8
Liabilities, million marks	905.6



### Distribution of production value



### 100 million invested in a new coating mill

Kymi Kymmene is constructing a new coating mill in Kuusankoski with an estimated annual production of 60 000 tons. At the same time our 1967 coater is being modernized. The completion of this will raise the combined annual high grade coated paper production capacity of Kymi Kymmene and Star Paper to 250 000 tons.

### 500 million marks invested in a new pulp production line

The Company started construction of a new sulphate pulp production line in Kuusankoski in 1974. It will go on stream in 1977. The annual output of sulphate pulp will then increase to 300 000 tons. Production of sulphate pulp will be discontinued. The new production line will enable us to utilize different tree species more fully than previously as well as improve our thermal and power economy and reduce water and air pollution. Kymi Kymmene is self-supporting in regard to pulp.

### Subsidiaries, associated and sales companies in other countries

The Company's British subsidiary Star Paper Limited makes coated paper in Blackburn and uncoated paper in Barnsley. Turnover amounted to £ 26.7 million in 1974. The output of Norland Papier GmbH at Dörpen in West Germany reached 121 236 tons of paper in 1974. Kymi Kymmene owns 50% of the shares of this company. This year a subsidiary named Leaf River Forest Products Inc. has been established in the United States. The company will start the construction of a sawmill in the State of Mississippi. This will be the first step to a later combination of a sawmill and a pulp mill.

Output of Eurocan Pulp & Paper Co Limited in Canada amounted in 1974 to 140 300 tons of kraftliner, 71 300 tons of sack paper and 60 600 cu.m. of sawn timber. Kymi Kymmene owns 25% of the company, the turnover of which was Can. \$ 66.5 million. Kymi Kymmene traditionally sells its paper production through the Finnish Paper Mills' Association, Finnmap.

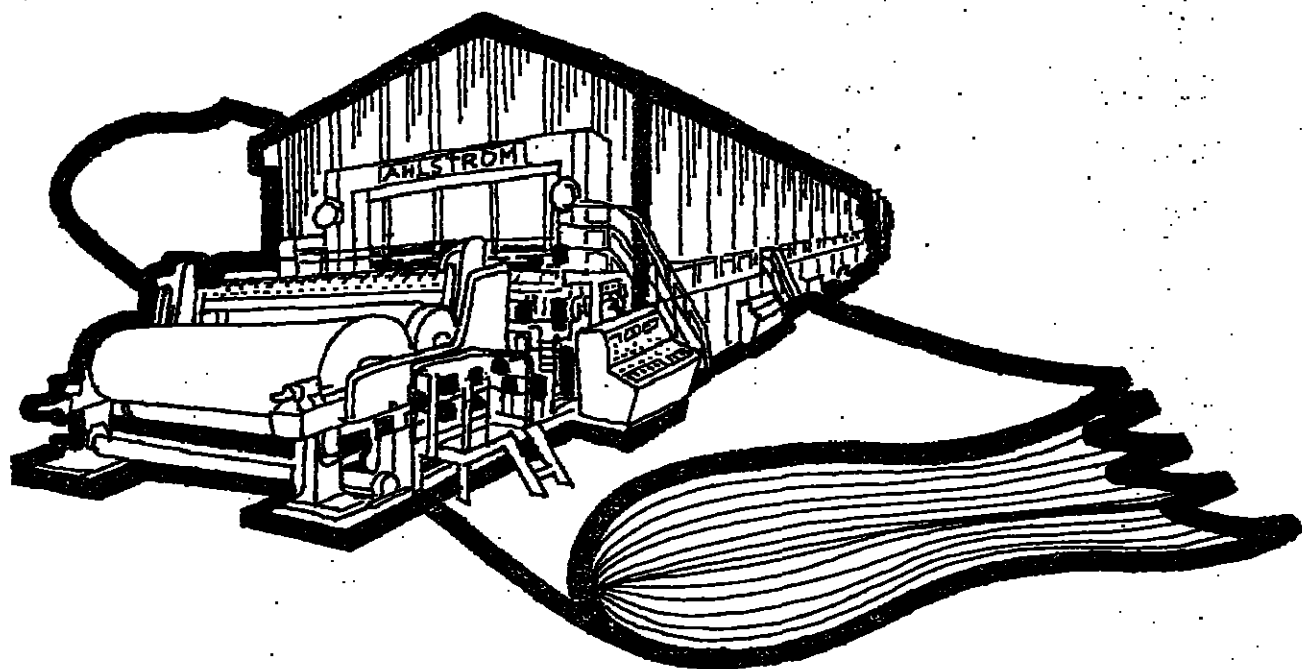
In order to make sales of sheet paper, in particular, more efficient, the Company has, together with Star Paper, established 18 sales offices in various purchasing countries. Our sawn timber sales in Great Britain are handled by Finnish Untimber (U.K.) Ltd., which maintains a sales office in London. Kymi Kymmene Engineering has its own sales companies, Kymmene Engineering in Great Britain and Kymmene Försäljnings AB in Sweden.



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# Pollution: prevention rather than cure

FOREST industry has been cited as the principal polluter of Finland's famed lakes and rivers and has been the major share in a water protection programme, backed by legislation, would entail expenditure of Fmk.225m. (\$28m.) until the end of 1979 and an overall investment of Fmk.2bn. in the period to the end of 1983.

ulp and paper companies, acknowledging their liability for a substantial amount of noxious water pollution, have been paid to other sources of pollution, such as sewage from farms and household effluents. The prevailing slump in the industry and in the economy makes it unlikely that the targeted level of expenditure on pollution control will be reached.

## INCE

Simo Jaatinen, Director of the National Water Board, estimated in an article in the Finnish Bulletin of Water Pollution Control that Finnish industry would need about 3m. at 1972 prices to water pollution control during the ten-year period to 1983. Of this sum 10m. was to come from the appropriation to the State-owned banks. In the companies should 23 per cent. of the costs, the remaining 77 per cent. of the costs, the Government has cut back by some 30 per cent. in 1973 and 1974. On the other hand, early this year the Government produced an economic retrenchment programme, necessitated by the swiftly growing deficit on the payments balance, which specifically stated that it would postpone any investment not immediately serving production. Detailed plans to cut back investments were to be drawn up, including those for pollution control. This line was reinforced by the severely restrictive monetary measures, announced by the Bank of Finland in September.

The Ministry of Agriculture set up a special committee to determine how far investment in pollution control could be cut back without bringing the production of a dangerous halt. It discovered that many projects had already been started and had reached a stage at which it would be economic nonsense to suspend them. This was true for nearly all the investments planned to be executed by the

On October 8 the Finnish, Norwegian and Swedish forestry industries announced that they were starting a £1.25m. co-operation project, to be known as Nordmiljö 80, to develop jointly systems and equipment which would both simplify production and meet anti-pollution obligations. The aim is prevention rather than cure. New process control systems would reduce

support "to making financial arrangements." A survey of investments made up to June this year showed that they were already about 20 per cent. below the level called for in the programme drawn up by the National Water Board. This set targets for the pulp and paper industry, entailing a drop in the discharge of suspended solids into watercourses by 80 per cent., or from an estimated 300,000 tons a year to 60,000 tons a year, by 1980. The biological oxygen demand, BOD<sub>5</sub>, was to be reduced by half from 1,300 tons a day to 600 tons a day. In addition, companies were expected to shut down sulphite mills and to shift to the sulphate process.

A substantial part of this programme has been carried out, in particular in the discharge of suspended solids, which was cut back by some 30 per cent. in 1973 and 1974. On the other hand, early this year the Government produced an economic retrenchment programme, necessitated by the swiftly growing deficit on the payments balance, which specifically stated that it would postpone any investment not immediately serving production. Detailed plans to cut back investments were to be drawn up, including those for pollution control. This line was reinforced by the severely restrictive monetary measures, announced by the Bank of Finland in September.

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the demand on external pollution cleaning through more efficient control of both the raw materials and additives used. In principle the programme will entail the extension of EDP technology, already widely used in pulp and paper production, to environmental protection. It is hoped to develop EDP systems equipped with better measuring techniques and warning devices.

end of 1976 and postponement could reasonably be considered only for measures with later target dates. The committee, therefore, recommended that industrial pollution control investments should be kept approximately at the level already reached, sidestepping the question of whether the Government should implement the promise of loan support already given but not met. The Finance Ministry rather obviously does not want to spend money on environmental matters for the time being.

## Dispute

The companies, whose own finances are badly strained by the collapse of the paper market, would be only too pleased to postpone non-productive investments but the future of many of the existing pulp mills will be linked with pollution control. Two small sulphite mills have closed down. Five others have already started, or announced plans to convert production to kraft pulp. The remaining sulphite mills, some ten in number, are now likely to be in a state of continuous dispute with the authorities about the pace of pollution control implementation. To say the least, there is considerable uncertainty both about enforcement of pollution control and about ways of raising the cash to carry out control projects.

The pulp and paper companies have been hoping that the World Bank loan for water protection, which Finland has been negotiating since 1972, would provide some cash and also stimulate Government support. The IBRD and the Mortgage Bank of Finland finally signed a contract for a \$20m. loan in May, but the companies have so far felt no tangible effects. Under the loan contract they have to submit schemes for

approval to the National Water Board, which sends them on to the World Bank for examination, but in comparison with a total programmed expenditure of \$520m., the \$20m. loan will not go far and will still have to be accompanied by substantial loan support from the Finnish Government.

The World Bank loan contract imposes a research and development obligation under which the National Water Board has to undertake research into the efficiency of Finnish water protection measures. This will later be used by the World Bank to plan and finance similar programmes in the developing countries. A similar condition was attached to an earlier \$20m. World Bank loan for Finnish re-afforestation—the so-called Mera programme.

Protection measures in Finland have concentrated on water because air pollution is considered to be a relatively minor problem. There is no law on air pollution as yet, although a Bill is expected to be submitted to Parliament before long and could become effective some time in 1977. A recent survey covering 62 per cent. of Finnish industry indicated that about 388,000 tons of sulphur dioxide were emitted. Up to May this year industry as a whole had invested Fmk.225m. in air protection and was scheduled to spend a further Fmk.200m. in the next few years, of which Fmk.110m. would be spent by the forestry industry. Future measures will concentrate on prevention rather than on the treatment of emissions.

The lakes and rivers, however, cover some 10 per cent. of the surface of Finland (forest accounts for about 70 per cent.). The lakes, moreover, are shallow with an average depth of about seven metres and are quickly eutrophied. The high humus content gives the water

its brownish colour and the mineral salt content is low. The ice cover during the long winters prevents the natural oxygen replenishment of the water and, as precipitation comes in the form of snow, the amount of water in the lakes and rivers is reduced, limiting further their capacity to take effluents. All these factors mean that Finland's inland waters are particularly susceptible to pollution.

It has been estimated that about 15 per cent. of these inland waters are either polluted or very likely to become polluted unless effective anti-pollution measures are taken. These waters are found in the south and west, where the population density is highest and lakes and rivers less plentiful. About half the Finns live near water which is either polluted or in danger of becoming polluted.

## Cleaner

The wood-processing industry, which operates at 57 different places, is by far the greatest user of water and, as far as organic matter is concerned, the chief polluter of Finnish watercourses has been the chemical pulp industry. However, all sulphite mills now burn their waste liquor, and changes to the internal water economy of the mills and direct protection measures have already produced appreciable improvements. The expansion of the industry over the past few years has not brought about a corresponding increase in the pollution load and the rivers used by the mills are already much cleaner in many instances.

The pulp and paper industry is by no means opposed to pollution control — the switch from sulphite to sulphate production, for instance, is in line with customer demand—and some of the most enthusiastic proponents of environmental improvements are to be found among the experts employed by it. All the mills can be expected to continue to improve pollution control in their own self-interest, but the present state of both company and State finances implies that there will be a considerable delay in implementing the National Water Board's ten-year plan.

W.D.

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## Technical know-how

CONTINUED FROM PREVIOUS PAGE

tax of \$656,000. The fee of services billed to up's clients was \$11.1m. Svetogorsk pulp and paper mill project, carrying out surveys on time-scheduling and work organisation.

## Speciality

A Pöyry speciality is the overall study for a national forestry industry of the kind it has carried out in Nigeria and Malawi and is now undertaking for Zambia and Tanzania. In June the Iranian Government commissioned Pöyry to draw up a master plan for the management of the Caspian forests and a long-term development plan for industries to be based on the forests. At the same time Pöyry is acting as a sub-consultant to the Bowaters Corporation on a development plan for an Iranian

pulp and paper industry. In Canada Pöyry evaluated the forest resources of British Columbia and produced an analysis of potential forest products for the Department of Lands, Forests and Water Resources. Last year it was commissioned by FAO and UNDP to do a pre-feasibility study of wood-based panel industries for South-East Asia.

Pöyry's credentials have also been recognised in Britain, where it has investigated alternatives for forestry industry development for the Forestry Commission. Pöyry found that the present British planting programme could give a fantastic increase in the allowable cut by 1980, and plumped for pulp as the best product, while recognising that there could be powerful competition price-wise

from the saw mills. The British subsidiary it established last year at Sidcup, however, is aimed more at getting consulting work in the Commonwealth and former British colonies than at the home market, just as the French subsidiary it is setting up this autumn is intended to add a French-speaking cadre to the international services on offer.

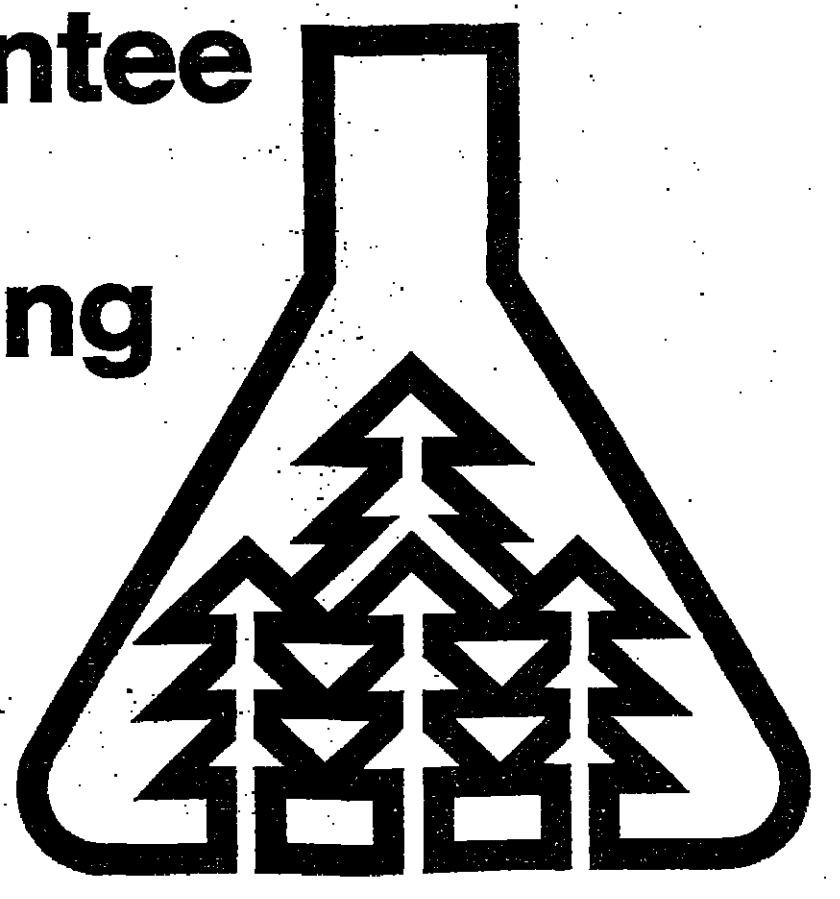
Pöyry's advisory work is backed by an information centre and an extensive computer resources at its Helsinki headquarters, including a paper mill inventory, but the company's bread-and-butter work remains its project engineering and implementation management, mostly in expansion and rebuilding operations by Finnish and Swedish mills. In this

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- Autograde for wood grading control
- Autopaper for paper machine control
- Autoschem for chemical recovery control
- Autovapor for evaporation control
- Autopower for power plant control
- Autolog for on-line data collection and reporting
- Autokamyr for continuous Kamyr digester control
- Autodry for pulp bale moisture control

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هكذا من الأصل

# Long-term prospect look better

THIS YEAR has been a bad one for the Finnish paper, pulp and paperboard industries, just about as bad as 1974 was for the mechanical wood working branch. Never since World War II has there been a depression so deep and so prolonged for the Finnish forest industry. Indeed, in introducing the 1975 Budget Prime Minister Keesi Linnamäe said: "Exports of forest industry products have contracted downright catastrophically."

However, there is a general feeling in the industry now that the worst may be over fairly soon. It seems to be accepted that the long-awaited cyclical upturn in the market economy countries will start around the middle of 1976, bringing some revival of demand for Finnish forest industry products. But no one is under the delusion that the recovery will be anything but a slow, long grind.

Ordinarily, the paper world has fairly accurate estimates of future prospects at its disposal. But the continuing uncertainty at home and abroad makes even short-term forecasting more difficult than usual. Stocks held in the main buyer countries can to some extent be divined, though even that is puzzling the experts in some branches just now. The current domestic production of these countries is known fairly accurately.

### Estimate

What is needed is a new estimate of the consumption in the next year or two of paper, paperboard and pulp in the main markets for Finland—in other words in Western Europe, which takes some two-thirds of Finnish forest industry exports. The oil crisis and steep rise in raw material and other costs have evidently led to more economic use of resources and materials everywhere. Until the permanency of these economies can be assessed. The old consumption estimates must be revised fairly sharply downwards. Each of the three main branches of the woodworking industry under examination here—paper, paperboard and pulp—has its own special problems. Each has its own central trade and sales organisation with staffs whose long experience makes them experts in "feeling the market

### THE PROBLEM IN A NUTSHELL

Exports of Finnish pulp and paper products—January-July, 1974-75

	Volume (tons)			Value (000 F.mks.)		
	1974	1975	Change %	1974	1975	Ch
Mechanical pulp .....	19,186	9,454	- 50.7	9,804	8,208	-
Chemical pulp .....	773,062	615,400	- 20.4	689,369	904,517	+
Paper, of which .....	1,873,788	1,354,569	- 27.7	2,103,151	2,139,614	+
newsprint .....	663,587	460,572	- 30.6	580,494	596,147	+
printing and writing .....	879,141	667,310	- 24.1	1,020,084	1,015,964	-
kraft paper .....	178,706	119,285	- 33.2	238,775	242,341	+
other paper .....	152,354	107,302	- 29.6	263,795	283,162	+
Paperboard .....	746,631	387,109	- 48.2	810,650	617,190	-
Converted paper and paperboard products .....	296,395	214,989	+ 4.2	421,201	616,048	+
Paper, paperboard and converted products .....	2,826,814	1,956,667	- 30.8	3,335,002	3,372,852	+

Source: Central Association of Finnish Forest Industries.

Source: Central Association of Finnish Forest Industries.

climate." This report is a summary of their impressions in the middle of October, 1975.

Finnmap, the Finnish Paper Mills' Association, foresees hardly any improvement until the latter half of 1976. Newsprint mills have had to shut down for 7 to 8 eight weeks on average this year, and machines producing higher quality grades have had even longer downtime. Paper manufacturers may have to accept downtime in the first half of 1976. Paper consumption in the main buyer countries is estimated to be 10-20 per cent off the 1974 level.

But the long-term prospect for paper is good and there will be some new capacity to meet additional demand. Finnish companies will have added some 150,000 tonnes/year to their production capacity by the end of 1975. But there is uncertainty about the implementation of new investments planned for 1977.

Finnboard, the Finnish Board Mills Association, has a problem that does not affect newsprint and pulp manufacturers to the same extent. While the latter can up to a point produce for stock to keep the machines running, and retain their skilled labour, board products tend to be "tailor-made" to the specifications of the client.

Measured in production days, Finnish Board Mills have lost about 40 per cent of their potential volume performance this year. Mr. Boris Grönberg, limit

managing director of Finnboard, confesses that he is mystified: "the development this year has been absolutely unique. I have never experienced such a drastic change in such a short time."

However, Finnboard is convinced that the stocks in the buyer countries must be running down by now, and it expects a slow recovery to start within this year. The board industry is not planning to make any new capacity investments until 1979 at the earliest. Finnish Board Mills are on the whole new and modern, and in any case world board capacity is sufficient to supply the demand for the rest of this decade.

### Cyclical

Scandinavian pulp exports seem to make news at cyclical intervals. This is when West European buyers complain that Scandinavian pulpmakers are holding back on sales in order to boost their paper exports. Mr. Lars Lunden, managing director of Finncell, the central association of the pulp industry, says that Finland will be exporting up to 1m. tons of standard paper pulp a year until at least 1980. Currently, the pulp branch also has to produce for stock. Mills are now holding 328,000 tons in inventories, compared with 46,000 tons at the beginning of the year. This is just about their

stump, the reason for the decline in Finnish pulp in 1975 is that West European buyers turned to North American suppliers. This was because they feared the Scandinavian suppliers not meet their requirements and because the dollar affected the Scandinavian price favourably. Finncell expects gradual recovery next year probably not to full capacity.

It is interesting that world's pulpmakers, Finland practically the only one has additional capacity into production in the future: 100,000 tons in largest project in 1975, 250,000 tons in a brand mill in 1977.

With the dollar again against Finnish paper, board and pulp makers, they were in a better position than a few months ago. But this is no final word. Cost levels have risen, too, and the new prices of the finished products held, if not raised.

If markets really collapse prices for these products, it would be the only solution for would be yet another of the size of Finland's indebtedness, that would drastic solution indeed.

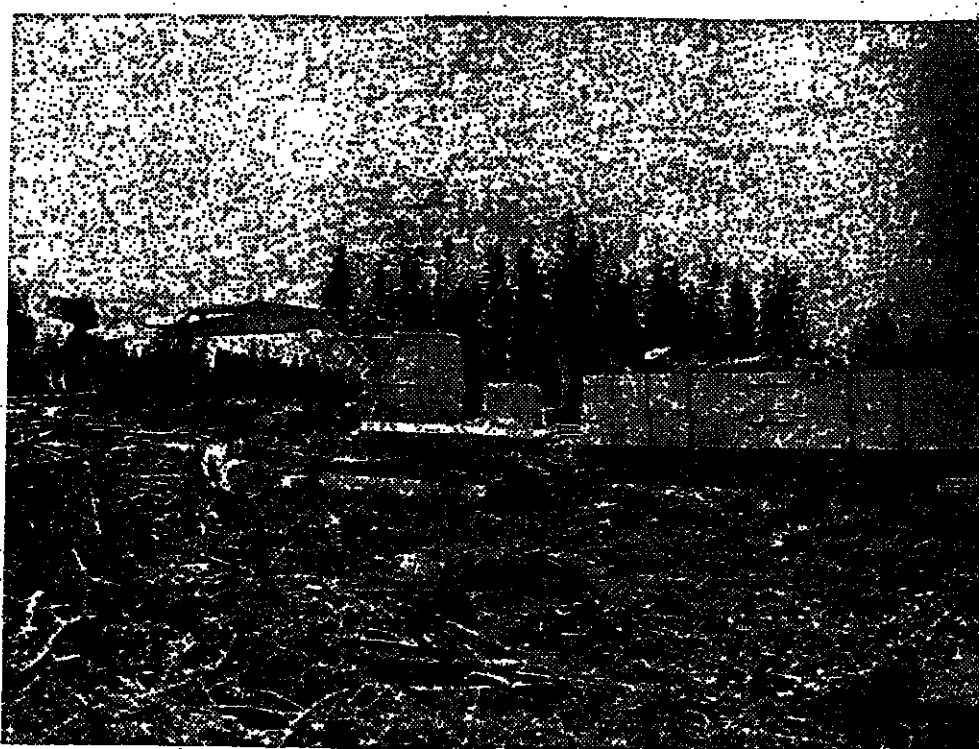
## Raw material reserve must be protected

FORESTS ARE economically more important in Finland than in perhaps any other industrialised country. They are still the base of 50 per cent of the country's export earnings. Thus, continued economic growth is closely linked to the expansion of wood-based production, the manufacture of pulp, paper, board and converted products. This presupposes a secure supply of wood raw material, a problem to which Finnish foresters have been devoting intense attention in the past few years.

The near-explosive expansion of the Finnish forest industry since the war, and especially in the 1960s, raised the demand for wood to record proportions. This increased requirement was met without jeopardising the sustained yield of the forests in three main ways: reducing the use of wood for fuel; importing roundwood from the neighbouring Soviet Union; and using the industrial waste from sawmills and plywood mills as raw material for the pulp, fibreboard and particle board industries.

As a base for further expansion, these sources are now practically exhausted. Of course, silviculture, forest fertilisation, drainage of land suitable for forestation, and tree breeding will in time provide the forest industry with considerable scope for enlarging its production. But this will take decades. In the more immediate future, the last great wood raw material reserve is the waste—branches, stumps and roots, and small-sized trees—that is left in the forest to rot.

Finland has watched its forest resources zealously by taking regular national forest inventories for over half a century. By international standards, the proportion of wood recovered from the forest in Finland is exceptionally high. Yet a staggering amount of residue is left—or has been left until now—



The Pallari Stumparvester.

to rot in the forest. "waste" that is usable for pulp, paper and board making provided that economic solutions can be found for harvesting it. In terms of million dry tons of wood, only 58 per cent of the annual cut, if bark is included, is harvested. To repeat, this is in Finland, a country known for its effective utilisation of wood.

### Stump

These statistics can be expressed in terms more understandable to the man who has not immersed himself in forestry. The stump and root wood that is already technically harvestable for the forests and swamps corresponds to an annual production of 300,000 tons of sulphate pulp, 10 per cent more than the current output. Put in another way, one

dry ton of stump-root wood yields 0.45 tons of pulp, and when they are too small to be harvested by current mechanical means.

The fibre raw material is Finland leads the way there. The problem is to get the work of stump-rooting out of the forest (and swamp) A Finnish company, Jouto Oy, is the first in the world to do this. This is commercially acceptable. This actually to be exploiting the core of the intensive underground reserve of research being conducted at the Department of Technology of stumps are being used the Forest Research Institute of minor scale in some countries. Professor Pentti for chemical extraction. Hakkila, the head of the big problems have been department, divides the work heavy machinery required into three main areas: stump-stones and sand in the extra root systems, branches and tops, material (which blunt and whole-tree utilisation. The knives and cutting the material of these is not strictly a "waste" problem, but one of large, these problems using small-sized trees and, in been solved. Finland time, mini-rotation trees, trees developed a monstrous mass of bush size which are called the Pallari Stump

CONTINUED ON NEXT PAGE



## Valuable machinery earnings

SEPTEMBER three of the big Finnish manufacturers of pulp and paper machinery shed a joint marketing and research organisation the aim of co-ordinating manufacturing research and planning. It is a significant move, because while the have developed a remarkable successful expertise over 25 years, high domestic increases and a temporarily strong market call for ordinary exertions, if they maintain their position. It is quickly maturing in a new manufacturing in Brazil.

In a five-year period from 1974, the four Finnish firms supplied 15 per cent of world pulp and paper capacity. This was up from only some 4 or 5 per cent of the number of machines produced, under the Finnish specialisation in large equipment. Valmet, for instance, delivered a paper machine with the wire width in the world continental Can Company and is well known for its sprit machines.

Its of pulp and paper machinery over the five years worth Fmk1.3bn. shipbuilding and papermaking, and are expected to about Fmk1.44bn. this parent's production will be one of the home pulp industry has taken 40 and 50 per cent of companies have had an agreement since 1969 not to poach of Finnish fibre on another's particular as can be expected to preserve with Valmet special domestic market for ising in fine and high-speed in the future, so that printing paper machinery, nish manufacturers will Tampella in board and liner and expand abroad. They Wärtsilä concentrating on ke about ten machines winders and coaters, there is and have orders in hand still too much overlapping. Mr. ht, supplemented by a Ahto Rissa, the new boss of able number of TVW Marketing, will chair four sation jobs. Thus, their committees—on design, manu- situation is reason- od, but current orders ment and marketing— out early in 1977 and, established to co-ordinate sation times extend from production.

## ngboard

springboard for the manufacturers after the East bloc countries, Poland and then in the Soviet Union. As perise has grown, the gear, and electric mater and Scandinavian attached, which avoids inter- as supplied most orders: shafts and couplings, Tampella has found a-and thus obviates the need for rket in North America a special drive room. This kraftliner, board and development is likely to be equipment. incorporated in a new, light- t, Tampella and Wärtsilä which Valmet can be expected shortly to announce an order. The standardisation of com- ponents is another aim of TVW machinery and pumps. Marketing. Papermaking mach- many years co-operated Swedish Johnson group Norwegian Kvaerner her Finnish concerns, the State-owned Enso- United Paper Mills and Repola, are involved in ry manufacture for the dustry, mainly in stock- ion equipment. The for producers are con-



The world's widest capacitor tissue machine at Terravonshi Osaakeyhtiö, a Finnish company manufacturing special papers. It was made by A. Ahlström Osaakeyhtiö.

glomerates, diversifying into other areas, mainly engineering, shipbuilding and papermaking. Rationalisation of its three parents' production will be one main target for TVW Marketing. Although the three companies have had an agreement since 1969 not to poach of Finnish fibre on another's particular as can be expected to preserve with Valmet special domestic market for ising in fine and high-speed in the future, so that printing paper machinery, nish manufacturers will Tampella in board and liner and expand abroad. They Wärtsilä concentrating on ke about ten machines winders and coaters, there is and have orders in hand still too much overlapping. Mr. ht, supplemented by a Ahto Rissa, the new boss of able number of TVW Marketing, will chair four sation jobs. Thus, their committees—on design, manu- situation is reason- od, but current orders ment and marketing— out early in 1977 and, established to co-ordinate sation times extend from production.

Cost-cutting is essential if the ed new export orders ricky. The Finnish group is also looking at South-East Asia as a potential new market, al- though demand there is for smaller, universal equipment rather than for the large-scale Fmk2.20m., and Ahlström has

machinery in which the Finns about two years' work in hand on average for its workshops. Most of its latest orders, how- ever, have been relatively small modernisation jobs, although at the end of September Kamy, the organisation in which Ahlström's Karhula works co- operates with Karlstad of Sweden and Myrens of Norway, announced a contract worth about \$1.1m. for the delivery of a complete fibre line to a future pulp mill being built by the Brazilian Aracruz Celulose SA.

Like his colleagues in the paper-machinery group, how- ever, Ahlström's engineering director Kai Hyppä has his eyes on the giant Soviet Jenesel project, where equipment will be needed for pulp mills with a capacity of 600,000 tons a year and where orders will be going for four paper machines. The Finnish Press reported recently that the Russians were ready to sign a contract with the Inter- national Paper Company, but Finnish consultant Jaakko Pöyry believes his company can still be taken on as a consulting partner, and the Finnish com- panies are still discussing the project with the Russians.

Mr. Hyppä points out, how-

ever, that the Finnish pulp and paper machinery manufacturers have had their competitive edge blunted, for the time being, at least, by the rise in domestic labour costs, which reached a peak of just over 20 per cent last year. No amount of inter- national rationalisation can com- pensate for cost rises of this swiftness.

The Finns also feel at a dis- advantage in offering the credit terms which are becoming increasingly commonplace as the size of paper-making projects grows. Both their own resources and the Finnish Government backing are strictly limited, while credits for projects in developing countries are becoming more and more "political" in nature. If this process continues, the Finns feel, they could find themselves limited to the wealthier but more limited markets of the industrialised or oil-producing countries, such as Iran.

However, the close co- operation with the Finnish paper makers (Tampella and Ahlström have their own mills), which has been the real secret of the machinery makers' success, remains and continues to spawn technical developments, such as Tam- pella's heat recovery system and vacuum formers, which are now made under licence in Japan. Valmet produced the twin-wire concept for magazine printing paper machinery and its own symmetrical drainage system. It has sold to U.S. manufacturers suction rolls with holes punched by new gun-type drilling equipment. Ahlström has been doing production line tests on a new headbox, given the trademark Formflow, which is said to reduce the wire section to one-third and achieves a new high consistency.

These developments under- line the Finns' technical com- petence in paper machinery manufacture. When this is allied with their proven ability to produce the large high-speed machines which are increasingly in demand, it is difficult to see them allowing their current cost and financial problems to deprive them of their front-rank position in the field and of a valuable currency earner.

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## Material

CONTINUED FROM PREVIOUS PAGE

arvester, which plucks the ing can be this kind of wood stumps complete with roots out without creating any quality or of the ground. Joutseno-Pulp processes the stump and root stump and root wood is the wood in ordinary stone crush- ing machines used for road building. The chips are then washed with water and the res- dual sand and dust is screened out.

Professor Hakila emphasises that no pulp mill can base its production solely on stump and root wood. But up to, say, 10 per cent of the raw material needed for sulphate pulp cook-

ing can be this kind of wood without creating any quality or technical problems. An inci- dental bonus from the use of stump and root wood is the high yield of by-products, tall oil and turpentine. And, of course, land that has been cleared of stumps and roots is easier and cheaper to reforest.

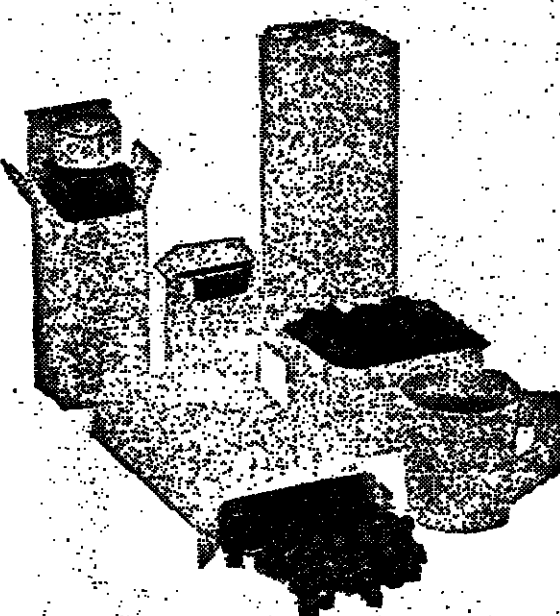
The problem of utilising branch wood and the so far unmerchantable top of the tree has not been solved anywhere yet, but the Department of Technology has its under inter- sive investigation. The wood content of branches and tops is low, yet together they constitute the largest unutilised item of the country's wood reserves, over 5m. dry tons/ year. The main difficulty is to keep logging costs down. What is needed is a chipper small enough to be moved around in the forest, but big enough to take the bulky branches.

Solved

In the third research area, the use of the whole tree, much of the harvesting technology has been solved. Professor Hakila says that whole-tree chipping is a revolutionary change in the technology of harvesting small-sized wood raw material. "It may even become the most remarkable event of this decade in timber harvesting and utilisation." North America, where more than 300 sturdy whole-tree chippers are already at work, has led the way. Europe is two or three years behind, but Finland is the most advanced country in Europe in this respect. Reducing the man- power requirement ranks equal to increasing the raw material supply in this area. The bottle- neck in the forest-to-day is machines to fell the small trees and bunch them. At the mill there are technical problems: the small twigs from the whole tree tend to clog the chip screen, and the bark content of the chips is for pulping a little too high—at least one-half of the bark must be removed. Oy Rosenlew Ab's furfural mill is the first factory in Europe to use 100 per cent whole-tree chips. The company will also use whole-tree chips as an admixture in its new sulphate pulp mill. The Finnish forest industry is prepared by the end of this decade to use 10m. cubic metres of whole-tree chips a year if the problem of harvesting can be solved.

L. K.

## Enso-Gutzeit continues upgrading.

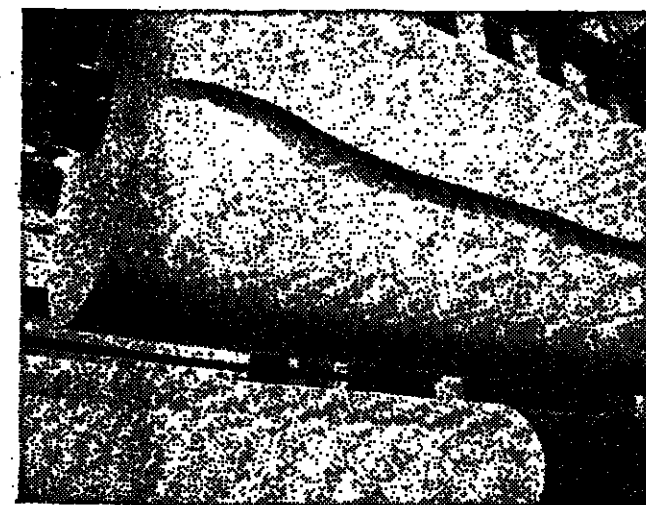


Machine at the Company's Kaukopää Mill.

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With another warning yesterday on the soaring cost of London's transport, Arthur Smith examines the plight of Britain's bus operators

# Bus services on a downhill road

THE PLIGHT of Britain's bus services, faced with cutbacks in public expenditure on the one hand and swelling cost increases on the other, has been forcefully laid before the Government in recent weeks. Yesterday, the situation was spelt out again when local authority representatives met Mr. Anthony Crosland, Secretary for the Environment, at a meeting of the Consultative Council on Local Government Finance, and the next six weeks or so are likely to see some hard bargaining as local councils try to persuade the Government to raise the sum provisionally allocated to bus subsidies in 1976-77.

What they are concerned about is the recent Government directive that public transport subsidies by local authorities should be cut, and the burden shifted onto passengers by way of higher fares. For the current year, the limit on local authority expenditure on revenue support for bus undertakings is £123m. The provisional total for 1976-1977, however, was originally set at only £103m, and has just been cut a second time to £91m (at 1975 prices; the figure will be increased to allow for inflation).

## Not absolute

These limits are not absolute: authorities can spend more if they wish. But they are the figures the Government uses in deciding its own grants to local authorities to offset their spending on transport subsidies. In 1975-76, the first year of the grant system, the Department of the Environment operated "safeguard" provisions under which each county council received a minimum of 70 per cent. of its allocated spending, with the remainder being found from its own resources—which generally means the rates. The percentage the Government will provide for next year has yet to be negotiated.

Not only is the total available

for grant to be reduced, but the way it is allocated is to be changed. The major urban areas, which this year picked up 93 per cent. of the total, will obtain less while the rural counties have more. In those areas, indeed, the level of public transport subsidy could go up in real terms if councils follow the directive. As a result the "shire" counties will be able to pump more money into the National Bus Company, which is responsible for 90 per cent. of rural routes, with the squeeze being felt primarily by the Greater London Council, which has had more than 60 per cent. of the allocation total this year, and the six metropolitan counties.

## Implications

Mr. Crosland has spelt out the implications of the overall cut-back quite clearly: "This reduction will require fare increases to be made earlier or larger (or both) than previously planned."

Already, at least one authority, South Yorkshire, has said that it will defy the directive and hold fares steady, even if it means another 2p on the rates.

The basis of the transport industry's argument is that fares will have to be raised so much that the passenger loss will cause irreparable damage to public undertakings. The trend is already clear. Projections by the Greater London Council suggest that passenger mileage in its area will be cut from 6.2bn. in 1974 to 5.3bn. by the middle of 1976. In Manchester, passengers carried have dropped 16 per cent. in the last 12 months.

Passenger loss on that scale, apart from the threat posed to the financial viability of individual bus authorities, raises profound questions about overall transport policy. Are people transferring back to private transport, and if so, why and



Hardest hit by the change in subsidies will be London, which this year has received 60 per cent. of the country's total allocation. The six metropolitan counties will also be heavily squeezed.

at what cost in terms of traffic congestion, fuel consumption, and highway expenditure? Equally important, what are the social implications? Does it mean that merely leisure journeys—to the shops or cinema—are being cut out, or does it indicate real hardship?

The answers to such questions are not known, and the Department of the Environment is likely to conduct its own research before the final level of allowable revenue support is fixed at the end of next month. In the meantime, successive delegations from troubled bus undertakings are likely to troop to the Marsham Street headquarters of the Department of the Environment in the hope of persuading the Government to relent from its current hard line.

The cause has now been taken up by the unions, and particularly the powerful Trans-

port and General Workers. Mr. Larry Smith, the TGWU's national bus officer, suggests that some 10,000 jobs in municipal undertakings could be at risk as the result of a 28 a week wage increase agreed last week and other rising costs. A joint approach with the employers is to be made to the Government to ask for higher subsidies which would at least absorb the £6.5m. cost of the wage increase.

But while the lobby is only now gathering momentum, the alarm bells for the industry started to ring at the beginning of this year with the surprise news that the State-owned National Bus Company was in financial difficulties. Across the board fare increases of around 35 per cent., plus a £20m. cash injection, were called for. The money was needed just to meet the day-to-day operating expenses of the organisation, which has 54 sub-

sidary companies in England and Wales and is the country's biggest single bus operator.

The basic cause of the situation was simple: costs—of which labour is responsible for around 70 per cent.—rose faster than revenue. The problem is common in varying extents to all the bus operators but more severe in the case of NBC which, in an election year, was encouraged to show at least an element of price restraint.

## Real debate

In an effort to restore the lost ground NBC has pushed fare increases to what it regards as the limit this year. The 35 per cent. rise early this year, supplemented by the "trigger" system under which fares automatically go up in line with a prescribed increase in labour costs, is now being followed by another round of increases of

between 15 and 25 per cent., according to what the market is believed capable of bearing.

NBC management is determined that fares should continue to provide the bulk of revenue. Passengers currently contribute around 80 to 85 per cent. of necessary income, so the real debate is about whether the last 15 per cent. or so should come directly from the Government, or from local authorities.

Dr. John Gilbert, the Transport Minister, has left little doubt that he is determined the money should be contributed by local councils, the giving them the choice of either coming up with the cash or accepting responsibility for major cuts in services.

Transport Policies and Programmes, indicating the level of support county councils (including the district authorities in each county) are prepared to give to NBC operations, were submitted in July. But Dr. Gilbert took the unprecedented step of allowing until the end of September for revisions.

Thereafter, if a county has decided not to support particular loss-making services, it must be assumed that these will be cut," he said.

## Peak services

Outlining the scale of the problem, the Transport Minister said that NBC had already decided on cuts of some 9m. miles over routes through the country. Without increased local authority grants, further service cuts totalling more than 40m. miles—around 6 per cent. of the total—would be needed.

Revised submissions from the county councils are still being processed but early indications suggest that the response to Dr. Gilbert's warning has been good—new that will undoubtedly bring a measure of relief at NBC. While in percentage terms the additional cuts contemplated were not high, the question of where they would fall is important. NBC, responsible for numerous urban areas and 90 per cent. of the rural network, has

trimmed back many marginal routes and is now having to look to peak hour services.

This year NBC, although it had been looking for £20m. from local authorities, is likely to receive only about £6m.—a gap which goes some way to explaining its financial problems. In 1976-77 NBC will want some £27m. and, assuming the success of Dr. Gilbert's warning, may get near that figure.

Such a turnaround will go a long way to taking pressure off NBC service cuts, but the overall effect is only to shift the problem elsewhere: the State-owned company will merely take a larger slice of the total the Government specifies local authorities should spend on revenue support.

The problem is particularly difficult for the Labour leadership of the GLC, which came to power in April, 1973, with a programme of killing most of the ringway road proposals and boosting public transport. Despite the pace of inflation and a London Transport deficit mounting at an alarming pace, the GLC kept fares pegged for two years, until March this year. The Labour group has agreed to go for a further 26 per cent. rise next month to be followed by a 20 per cent. jump in July.

In these projections the GLC had taken account of the Government's intention to chop the national allocation to £91m. but had not expected the redistribution in favour of NBC—a move which could lop a further £10m. from the total the Council can expect.

A 1p rate raises £18m., but there seems little likelihood of the GLC's looking in that direction as a way to ease London Transport's problems at a time when the authority is desperately cutting spending on all fronts. A rates subsidy of £40m. a year is already made to hold down fares, and the Labour group has decided to keep that contribution constant in real terms.

The most likely outcome is another 10 per cent. on the fares increase scheduled for next

July, but the projection expected passenger loss is quite disturbing. Passenger mileage rose in 1974 to 6.1bn., the first increase for a decade, but estimates circulating fall to 5.6bn. by the end of 1976, when the impact of the 15 per cent. rise will give a further downward push to 5.5bn. By mid-1977 passenger mileage is estimated at around 5.3bn.

## Two increases

Greater Manchester Transport, which according to director-general, Mr. Harrison, has gone for fare reviews, has been hit by two increases this year. Average fares have gone more than 60 per cent. more than 60 per cent. result of rises in February, August, and passenger mileage has dropped between 15 and 20 per cent. from the level months ago.

In the past two years Greater Manchester has managed to keep long-term drift away from public transport, but this the graph has turned at downward.

Mr. Tony Harrison, director-general, argues the Government's drive to passenger transport more able is too precipitate. correct marketing, moderate fare increase frequent intervals. transport was being treated expendable. "Once you passengers you seldom get back and to start down trip is usually a one-way trip."

Nonetheless, he is on about the outcome. "What may be said by Government Ministers and documents from Whitehall, people just sit back and allow decimation of public transport. But he maintains. But he remains that if services are to be heavily reduced money has to be found somewhere. If the Government refuses it and obtaining passengers is impractical it is to the ratepayers that operators will have to turn

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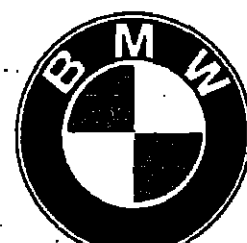
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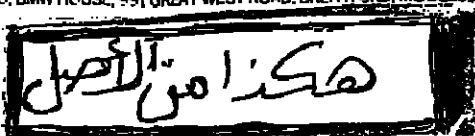
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## APPOINTMENTS

### L. J. Tolley Fodens' chairman

Mr. L. J. Tolley has been elected managing director of R. J. HUNT AND SON. Mr. Tolley, who remains chief executive and a director, was appointed a director at a Board meeting yesterday at which Mr. Fodens resigned as chairman. Aged 61, Mr. Tolley was appointed chairman of Renold in 1972 after 10 years as managing director. He was intimately involved in the acquisition by that company of John Holtroyd and Co. and Crofts Engineering.

A decision on further Fodens Board appointments will be made following a detailed assessment by Mr. Tolley.

Men and Matters, Page 15

The Board of the ALLIANCE BUILDING SOCIETY has elected Mr. L. Farrer-Brown as chairman following the death of the previous chairman, Lord Royle. Lord Hankey remains deputy chairman. Mr. Farrer-Brown became an Alliance director in 1968.

Mr. Jeffrey Greenwell has been elected president of the INSTITUTE OF LOCAL GOVERNMENT ADMINISTRATORS for 1975-76. He had been chairman of the Institute's Council for the past year and succeeds Mr. Allen Morris, director of Administrative Services for Kenner District Council.

Captain (Commodore) B. C. Fawcett, ADC Royal Navy, is to be promoted Rear Admiral on January 7 next and to be Director of Management and Support Intelligence in February in succession to Major-General Sir John Younger, who is to retire.

Major-General W. G. H. Beach, Commandant of the Staff College, Camberley, is to be Deputy Commander-in-Chief U.K. Land Forces next January in the rank of Lieutenant-General in succession to Lieutenant-General Sir Allan Taylor, who is to retire. Brigadier T. S. C. Strathairn, Brigadier A/Q Headquarters 1 (British) Corps, is to be Chief of Staff, Logistic Executive in the Ministry of Defence, next January, in the rank of major-general. This is a new appointment.

Mr. Peter Brooks has been appointed technical director of BURRUP, MATTHEWSON AND CO. (HOLDINGS), the printing subsidiary of Eitel, from Staples Printers, and Unwin Brothers, where he has been group technical development manager for seven years.

Mr. Peter F. Kendall has been appointed to the Board of ROBERT LEE INTERNATIONAL MANPOWER CONSULTANTS.

Mr. Donald McCrickard has been appointed resident vice-president of the CARD DIVISION of AMERICAN EXPRESS, while Mr. Charles P. Gilson has been appointed to the newly-created post of regional vice-president—European markets.

Mr. David Wiggall, a vice-president of First National City Bank, has been appointed head of the bank's WORLD CORPORATION GROUP for the U.K. He succeeds Mr. Stewart Clifford, vice-president, who has been assigned to Citibank's NATIONAL BANKING GROUP in New York as head of the public utility department.

Two appointments have been announced by the Brockhouse Group of West Bromwich. Mr. W. E. Vickers, formerly general manager, becomes managing director of the DISTRICT IRON AND STEEL COMPANY and Mr. C. M. Borfield, formerly general

manager, has been appointed managing director of R. J. HUNT AND SON.

Mr. Hedley W. Whitehead has been elected chairman of the NORTH EASTERN CO-OPERATIVE SOCIETY. He was for the last 12 months joint-chairman with Mr. Colin Doughty, who has been elected vice-chairman. Before last year Mr. Whitehead had been chairman since the society was formed in 1970. The position of vice-chairman is a new one.

Sir Richard Powell and Mr. John R. Bell have joined the Board of THE THINC GROUP (U.K.), a subsidiary of The Thinc Group Inc. of New York.

Mr. D. G. Hutton has retired from the Board of BARKER AND DOBSON.

Mr. E. H. C. Jones, chairman of JCS HOLDINGS, has retired from the Board and Mr. W. H. Conroy has been appointed chairman in his place. Mr. Conroy, a director of the company for the last six

years, is also a director of Wort Benson, British Air and General Trust, The 1 and New York Trust Co and The Family Investor.

Mr. J. L. Coguet has been elected chairman of BATH AND SON, merchants. He joined the company in 1934.

Mr. Brian Hood has been appointed joint managing director of SCM (UNITED) KIM with direct responsibility for marketing its typewriter copiers. SCM (United Kingdom) is the U.K. subsidiary of Corporation, of New York. Hood was previously the company's director of finance, Middle East and Africa.

Mr. Charles Hoare has been appointed a managing director of WARDLEY, Hong Kong wholly-owned merchant bank subsidiary of The Hongkong Shanghai Banking Corporation.

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# Up another 4.5 on economy upturn \$ weaker

BY OUR WALL STREET CORRESPONDENT

FURTHER GAINS were scored on Wall Street today, following increased buying on signs of confidence that the U.S. economy is recovering strongly. The Dow Jones Industrial Average partially reacted to \$46.82, for a net rise of 4.57, while the NYSE All Common Index gained another 39 cents to \$41.91. Advances outnumbered declines by more than a two-to-one majority, and the trading volume surged ahead by 7.5m. shares to 20.8m.

The Stock Market was feeding partly on reports that Washington is turning a more sympathetic ear toward New York City's call for financial assistance, the sharp rise in third-quarter Gross National Product, recent signs that the Federal Reserve has loosened the reins a bit on monetary policy, speculation that bank prime interest rates may be headed lower soon, plus some better-than-expected third-quarter earnings reports.

The NYSE mid-October short interest position rose 7,494 shares to 4,465,531. Motors put on \$1 to \$35.4 on 244,700 shares. Wards Automotive Reports, a Detroit-based trade publication, said the mid-October period will show the industry is selling cars at the strongest pace in 16 months. Ford Motor advanced \$1 to \$40.8. Denny's picked up \$1 to \$18.4 on higher earnings.

Kentucky Gas and Electric gained \$1.02 to \$21.1 on 100,000 shares, while Hercules climbed \$1.10 to \$27.4 on 133,100 shares. Eastman Kodak rose \$1 to \$10.2, after \$1.04 following its long-awaited \$100 million share repurchase plan, which puts it in competition with Xerox, of \$1 in \$60, and IBM, up \$1.10 to \$212.2.

Armco Steel and Resizable Steel each eased after reporting sharply lower earnings. Kennecott Copper shed \$1 to \$20.9 on a share less for the third quarter against a profit a year earlier. Nashua fell \$2 to \$9.4 on lower profits.

Oil Supply issues were lower. Hughes Tool fell \$3 to \$40.7. HLBurton \$3 to \$12.2. Rucker \$2 to \$16 and Smith International \$2 to \$23.3. Sherwin-Williams dropped \$4 to \$24.1, on sharply lower fourth-quarter net.

The American SE Market Value Index was up 0.43 to \$3.70, with advances outnumbering declines by 335 to 271.

Canada easier  
Canadian Stock Markets were generally easier in moderate trading yesterday.

The Industrial Share Index edged 0.20 to 170.09, from 170.04 to 169.89. Base Metals 0.33 to 71.33, Utilities 0.30 to 120.10, Finance 1.33 to 254.40.

opening lower on a sharp drop in first-half profits. Americans and Germans did well among Foreign issues, but Dutch stocks were weak, while Belgians were resistant. Gold State Loan.

BRUSSELS—Broadly higher in active trading. Among Steels, Claberg rose Frs.90 to Frs.450 xdl. In higher oils and chemicals, Petrofina gained Frs.155 to Frs.430. U.S. shares were higher, South African Gold Mines strong and French, Dutch and German shares firm.

AMSTERDAM—Generally firm. Unilever up Fls.2 at Fls.100.8, led Dutch Internationals higher. But Akzo eased to Fls.31.8, as the Unions called for rehewed negotiations with its Enka Unit over workforce cuts.

GERMANY—Higher across a wide front in active trading, with heavy Foreign buying. Markets were helped by speculation that the Central Bank Council Deutsche Bundesbank may again ease its Central Bank's credit policy at the routine meeting on Thursday.

Banks were among the market leaders, with Dresdner Bank up DM5.50 at DM120.50 and Deutsche Bank DM18.50 at DM325. Electricals were firm, AEG rose DM11.00 to DM38.90 and Siemens DM13.50 to DM32.75. Chemicals

advanced. Bayer climbed DM2 to DM113.70, Hoechst DM2.50 to DM123.80 and BASF DM4 to DM120.80. Rumors that Deutsche Bundesbank may soon ease to intervene in support of Public Sector issues led to a sharp increase in selling and the Central Bank had to buy DM167m-worth of Public Sector Bonds.

MILAN—Prices rose an average 2.5 per cent in active trading. Technical and speculative activities were said to be behind strong demand which carried all sectors higher.

VIENNA—Barely steady in this trading. Leading Industrials were little changed.

COPENHAGEN—Mixed with a firm undertone in fair dealings. SWITZERLAND—Broadly higher in active trading. Banks, Financiers, Industrials, Insurances and Chemicals all advanced. Swissair Bearer rose Frs.80 to Frs.210, Fischer Frs.25 to 490 and Sulzer Frs.60 to 2,250.

Dollar stocks rose in an active trading, with international firms firmed slightly, while Germans improved on increased buying.

HONG KONG—Prices recovered almost all of Monday's losses in moderate trading. Hong Kong Bank was active and rose to HK\$12.50, boosted by a profitable arbitrage situation with London.

Hong Kong Docks rose a further 3 cents to 8.75. But Wheelock shed 2 1/2 cents to 1.52. Swire Pacific put on 5 cents to 5.60.

JOHANNESBURG—Gold shares were firmer on overseas interest and the higher price of gold. Financial Mining was firmer. AngloGold gained 50 cents to R3.90.

TOKYO—Market opened firm but profit-taking in Blue Chips depressed prices. Electricals such as Tokai Electric and Pioneer Electronic were prominent losers. Cameras, Motors, Pharmaceuticals, Constructions, Shipbuilding, Textiles, Chemicals, Synthetics, Oil Refineries and Trading Firms were all lower. Heavy Electricals like Hitachi and Toshiba closed higher.

AUSTRALIA—Energy stocks speared higher on recovery. Oil and Uranium and one or two Oils started to move forward and carried some Industrials along with them.

Among Uranium, Peko picked up 15 cents to \$4.00, APTO Chemicals 25 cents to \$4.25 and Queensland Mines 20 cents to \$4.45.

The U.S. dollar continued to weaken in the foreign exchange market yesterday, after showing a firmer trend in earlier dealings following the sharp increase in the U.S. gross national product. The easier trend in U.S. interest rates and the doubts which still surround the financial problems of New York tended to depress the dollar and the U.S. unit lost ground after the statement from the New York State Governor that the State can no longer support New York City. The dollar trade-weighted average depreciation since the Washington Currency Agreement, as calculated by Morgan Guaranty of New York on noon rates, widened to 2.35 per cent, from 2.19 per cent.

Sterling was slightly weaker against major currencies in general. The Bank of England calculated for the pound's trade-weighted depreciation widened to 2.95 per cent, from 2.83 per cent, previously, having stood at 2.83 per cent at noon and 2.84 per cent in early dealings.

The pound began at \$2.6250-\$2.6260 in terms of the dollar and after rising to \$2.6260-\$2.6270, touched a low point of \$2.6250-\$2.6260, before closing at \$2.6250-\$2.6260, unchanged on the day.

The discount on the foreign exchange market continued to widen, with the three-month rate quoted at 2.68 per cent premium, against 2.66 per cent premium.

The Japanese yen improved on indications of an increase in Japanese exports. It closed at ¥200.85 against the dollar, against ¥200.25 previously. The yen's trade-weighted depreciation, as calculated by the Morgan Guaranty basis, narrowed to 0.01 per cent, from 0.51 per cent.

Gold gained \$1 to \$145.1-\$146.1. The Kruggerand finished at \$150-\$152 (\$151-\$153) in the domestic and international markets. The coin's premium over its gold content widened to 3.60 per cent.

Gold Bottoms: \$145.1-\$146.1. Gold Openings: \$145.1-\$146.1. Gold Closings: \$145.1-\$146.1. Gold Averages: \$145.1-\$146.1. Gold Highs: \$145.1-\$146.1. Gold Lows: \$145.1-\$146.1. Gold Volume: \$145.1-\$146.1. Gold Turnover: \$145.1-\$146.1. Gold Settlements: \$145.1-\$146.1. Gold Deliveries: \$145.1-\$146.1. Gold Withdrawals: \$145.1-\$146.1. Gold Balances: \$145.1-\$146.1. Gold Reserves: \$145.1-\$146.1. Gold Production: \$145.1-\$146.1. Gold Consumption: \$145.1-\$146.1. Gold Exports: \$145.1-\$146.1. Gold Imports: \$145.1-\$146.1. Gold Stocks: \$145.1-\$146.1. Gold Mining: \$145.1-\$146.1. Gold Refining: \$145.1-\$146.1. Gold Smelting: \$145.1-\$146.1. Gold Casting: \$145.1-\$146.1. Gold Processing: \$145.1-\$146.1. Gold Fabrication: \$145.1-\$146.1. Gold Distribution: \$145.1-\$146.1. Gold Retail: \$145.1-\$146.1. Gold Wholesale: \$145.1-\$146.1. Gold Brokerage: \$145.1-\$146.1. Gold Commodity: \$145.1-\$146.1. Gold Futures: \$145.1-\$146.1. Gold Options: \$145.1-\$146.1. 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# Better trend in markets, but trade at a low level

## Share index up 8.1 at 344.8—Golds improve

**Account Dealing Dates**  
**Option**  
 \*First Declared Last Account  
 Dealings 10 Oct. 17 Oct. 26  
 Oct. 6 Oct. 13 Oct. 21 Nov. 11  
 Nov. 3 Nov. 10 Nov. 18 Nov. 25  
 \*New time\* dealings may take place from 9.30 a.m. two business days earlier.  
 Stock markets made a largely technical rally yesterday, after the sharp setback over the previous two trading days which was prompted by worries about Government expenditure. Trading conditions in both gilts and equities were thin and sensitive and there was a noticeable response, mainly in the latter sector, to hints of a possible further easing in defence spending which began to circulate in the late afternoon.  
 The late spurt in leading industrial shares was well illustrated by the FT 30-share index, which extended a rise of 2.6 at 2 p.m. to 344.8 at the close. Initially, prices reflected the absence of any fresh selling and scattered bear closing.  
 Gilts behaved similarly, with prices tending to improve by an margin in the afternoon, dealing after showing rises of around 1 at the House close. The Government Securities index recovered 0.32 to 372.7.  
 Overall, it was a quiet and relatively uninteresting session, with official markings of 5,339 compared with 6,826 on Monday—but the better trend in the leaders spilled over into second-line equities. Rises led falls by 4-1 in FT-quoted Industrials, while the FT-Actuaries All-Share index improved 0.9 per cent. to 148.79. Banks regained their poise, re-entirement under the pressure of day's losses which resulted from fears of a call for an increase in special deposits.  
**Gilts rally**  
 Still falling U.S. Treasury bill rates, and the hints much later

in the House of Commons of defence cuts, helped to dispel the gloom of the recent gloom surrounding British Funds. The recovery began with bear-covering in a technically oversold market, but later more genuine demand developed, particularly at the short end. Recoveries extended to 1 in both gilts and long equities, another 1 being added to selected issues late in the evening. Corporations were quietly irregular, while the appearance of a buyer brought improvements to some Southern Rhodesian bonds, the 6 per cent. 1978-81, issue rose 3 to 246.  
 Fluctuating narrowly either side of 100 per cent. throughout a very small trade, the investment currency premium closed at that slightly higher level. Yesterday's S.E. conversion factor was 0.6310 (0.6332).  
**Banks pick up**  
 After Monday's nervous start to the new account when selling fuelled by rumours that the Bank of England may soon call for a further increase of special deposits left the big four Banks distinctly yesterday, prices rallied sharply. The Bank of England's share price recovered 0.32 to 372.7.  
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**Gilts rally**  
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"rights" issue, "Royals" at 289p, off at 11p.  
 Technical influences brought about an improvement of 5 to 289p in ICI, while Fisons put on 8 to 378p in quietly firm Chemicals.  
**Marks & Spencer erratic**  
 Store leaders shrugged aside the rather depressing September retail sales figures and closed with modest gains. After softening initially to 99p on interim results just slightly below expectations, Marks and Spencer later improved to 103p for a net gain of 2. UDS, 88p, and "Gussies" "A" 188p, put on 3 pence, while British Home added 3 to 345p. Secondary issues closed with narrow and mixed changes, although N. Brown's investments were noteworthy for an improvement of 4 to 31p. After Monday's gain of 3, S. and U. Stores improved a touch to a 1975 high of 19p, before finishing a penny firmer on the day at 17p on new issues. George's acquisition of 14 per cent. stake at 20p per share. Dent Fowles followed the half-year statement with a gain of a penny at 13p.  
 Business picked up in the Electricals sector, which took a turn for the better. Thorn Electrical moved ahead 12 to 204p in a rather soft market, while KMI recorded a rise of 7 to 223p. BICC improved 4 to 119p and GEC 3 to 128p, while the Petrolyne Parson's hardened 10 to 64p. Plessey were left rather in the background with a gain of only a penny at 72p awaiting tomorrow's half-year figures. Elsewhere, George's School closed 2 to 183p, after the full report. Louis Newmark declined 5 to 85p, but K.K. Electric managed an improvement of 3 to 47p, while BSR added 2 to 79p and Derwent a penny at 51p.  
 Engineering features were more numerous. Tube Invest-

ments rallied 6 to 279p and John Brown put on 5 to 62p, while Hawker responded to a 30p profit in excess of market expectations by rising to 312p before a close of 6 higher on balance at 308p. Revived speculation of a U.S. offer took Howard Machinery up 6 to 58p and speculative interest was also evident in Hall-Theromark, 5 better at 76p. Ductile Steels rose 3 to 57p, after 68p, despite the lower profits which were countered by the statement on current year prospects. The forecast of increased profits failed to stimulate Clayton Son, which remained at 33p. Elsewhere, Whessex were in demand at 34p, up 4, and United Wire were similarly dearer at 40p. A restricted market, Weyburn jumped 10 to 283p. Of the few secondary movements, James New lost 3 to 60p and Walsley-Jones was a like amount lower at 94p.  
 Overnight opinions of the respective price levels for the two late bonus "rights" issues candidates were revised and Kwik Save, which opened higher at 228p, closed a net 10 up to 239p, while Lennons advanced 5 to 55p. Cash elsewhere were firm with Associated Biscuits jumping 10 to 75p, after 76p, and the "A" spurring 8 to 70p, on interim profits well above market estimates. United Biscuits improved 3 to 99p in sympathy. Tate and Lyle were 4 higher at 222p.  
 Grand Metropolitan rallied 2 1/2 to 62 1/2p in Hotels where Centre moved up 2 to 24p. A report of a possible "rights" issue accompanying Friday's preliminary results saw Postle as to 27p, before an unchanged close of 27p.  
 Modest support in a market short of stock brought a notable reversal of Monday's dull trend in the miscellaneous industrial leaders. Glaxo, a particularly flat market, rose 1 1/2 to 238p, after 236p, on annual results, rallied 12 to 389p. Beecham, 310p, and Unilever, 388p, secured rises of 8 pence, while Pilkington improved 6 to 268p, and Telford and Newall 3 to 107p. Reed International, a coup 2 to 222p ahead of Friday's interim results. Reckitt and Colman made up an initial fall of 3 to close unaltered at 800p. Elsewhere, Nigerian Electricity Supply moved ahead 20 to 160p on speculative support in a thin market. United Carriers put on 2 1/2 to a peak for the year of 20p, before falling for a net gain of 1 1/2 to 192p, after 190p. Crossfield, awaiting today's half-time results, rose 12 to 912p. Lonrho were also favoured at 118p, up 5.  
 Small irregular price movements were the order of the day

104p, while gains of 3 were registered in Nordic Securities, 53p, and Edward Le Bas, 39p. AD International closed unaltered at 106p, after 105p, following the previous day's advance of 7 on hopes of a new Deputy International offer.  
 Motors tended better with the general trend. Dunlop, 63p, and Lucas Industries, 130p, picked up 2 and 5 respectively.  
 After looking a shade lower at the start, Property leaders staged a technical rally and closed at the day's best. Lane Securities, 121p, and a most improved 5 at 170p, after 163p, while MEXC picked up 3 to 66p and English Property 1 1/2 to 51p. Gains of a penny were recorded in Amalgamated Investment and Property, 211p, and British Land, 13p. Secondary issues stayed calm, with choice, although Argyll Securities were finally 3 firmer at 41p and Stock Conversion 2 harder at 142p, Haslemere Estates, with interim results due December 4, managed to end a penny up at 180p, after 177p, while Bank of Commerce followed the chairman's statement with a fractional improvement to 4p. Lury Property, still reflecting the profits contraction, shed 5 more to 173p for a net fall of 20. After Monday's reaction of 5 on the reported demand of a possible bid from Commercial Union, Green Fawcett Estates ended 2 cheaper at 214p, after 212p.  
**Oils advance late**  
 Oils made progress late with the rest of the market, although business was quite small, and British Petroleum ended 8 better at 590p. Shell regained a similar amount to 559p, while Ultramar recovered 4 to 182p and Oil Exploration improved 2 to 57p. A closer assessment of the half-year results left Tricent 3 easier at 39p. In the overseas section, Woodside-Burmah put on 4 to 94p and Pan Ocean advanced 3 1/2 to 630p, but Sunningdale declined 1 1/2 to 51p, after 52p, on details of the proposed reconstruction scheme.  
 S. and W. Berisford were in good form in Overseas Traders, closing with an advance of 1 1/2 at 204p, in response to the bonus "rights" offer. Paterson Zochonis moved ahead 40 to a peak for the year of 440p on satisfaction with the profits expansion and proposed 30p dividend. Division while Harrolds and Crossfield, awaiting today's half-time results, rose 12 to 912p. Lonrho were also favoured at 118p, up 5.  
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### FINANCIAL TIMES STOCK INDICES

	Oct. 21	Oct. 20	Oct. 19	Oct. 18	Oct. 17	Oct. 16	Oct. 15
Government Sec.	372.7	372.4	372.1	371.8	371.5	371.2	370.9
Fixed Interest	372.7	372.4	372.1	371.8	371.5	371.2	370.9
Industrial Ordinary	344.8	344.5	344.2	343.9	343.6	343.3	343.0
Gold Mines	275.5	275.2	274.9	274.6	274.3	274.0	273.7
Jrd. Div. Yld. 5%	6.11	6.10	6.09	6.08	6.07	6.06	6.05
Earnings Yld. 10%	16.80	16.79	16.78	16.77	16.76	16.75	16.74
P/E Ratio (all)	8.44	8.43	8.42	8.41	8.40	8.39	8.38
Dividends marked	5,339	5,338	5,337	5,336	5,335	5,334	5,333
Equity turnover (m)	—	—	—	—	—	—	—
Equity margins (m)	—	—	—	—	—	—	—

10 a.m. 377.5, 11 a.m. 382.3, Noon 382.3, 1 p.m. 389.9, 2 p.m. 382.3, 3 p.m. 382.3

Source: Financial Times. Last day of trading for 1975. Basis 100 Oct. 1975. First day of trading for 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 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## INSURANCE, PROPERTY, BONDS

**Slater Walker Insurance Co. Ltd.**  
30 Uxbridge Road, W12 0JL 01-749

**Transinternational Life Ins. Co. I**  
2 Breame Bldg., London EC4 1NV 01-409  
Tulip Invest. Fd. [201.4 196.7] .....

<b>Trident Life Assurance Co. Ltd.</b>		
Renslade House, Gloucester.		
Trident Mun. Fd.	161.7	107.2
Trident Gr. Mun. Fd.	124.6	128.7
Trident Prop. Fd.	169.3	115.1
Trident Empl. Fd.	77.2	81.4

[illegible]

**Intimus Management Co. N.V., Curacao** ..  
 NAV per share Oct. 13 \$US21.84.  
**Triumph Oceanic Int. Fnd. Mgrs.**  
 8, Church St., St. Helier, Jersey. 053433  
 International Fnd. (30.8 32.9) ..... 5

[illegible]

1. *Chlorophyll a* (Chl *a*)

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## Police, troops ring house after Herrema found alive

By GILES MERRITT

MONASTEREVIN, Oct. 21

THERE WAS no softening last night in the Irish Government's stern "no deal" approach to the kidnappers of Dutch industrialist Dr. Tiede Herrema as the 18-day-old abduction case developed into a grim siege. Irish police supported by troops in company strength ring the Evans Park Estate, in Monasterevin, 40 miles South-West of Dublin, where Dr. Herrema is being held at gunpoint in the upstairs rooms of a modern council house.

Justice Minister Mr. Patrick Cooney has set up an emergency operations centre at the Garda barracks in nearby Kildare, but if he has been in personal contact with the kidnappers it can only have been by radio link. Following this morning's hurried Cabinet meeting to discuss the climax to the Herrema case, Mr. Cooney has left the negotiations with the kidnappers to shouted exchanges by senior police officials.

Inside, the atmosphere is believed to be dangerously tense. An Irish Special Branch officer, armed with a sub-machine gun, stands at the foot of the stairs while Army sharpshooters are on the roof. To ensure that the security forces have not stealthily

climbed the staircase, there have been reports of the kidnappers throwing ches pieces down to establish that the stairs are clear. Although the abductors lost the initiative when this morning's breakfast-time raid on the council house turned the kidnapping into a siege, they have repeated their original demand that the Dublin Government release three jailed Provisional IRA members, two of whom are in prison only 17 miles away at the Port Laisie top-security jail. For its part, the Government has reiterated its determination to make no deal. Last week, as an indication of their hard line approach to the Herrema affair, the authorities even hinted that provisions for awarding the death penalty could be called upon if Dr. Herrema is killed by his captors.

Six shots have so far been fired. Dr. Herrema is thought to be held by only two people, 28-year-old Edward Gallagher and 19-year-old Marian Coyle, whom police have been seeking since shortly after the kidnapping outside Limerick on October 3. The trail which led the police to Monasterevin is still far from clear: the official line is that two

unnamed brothers involved in the Herrema kidnapping were picked up yesterday by a police traffic check point at Tullamore, in neighbouring Co. Offaly. But another report says that the arrests were made early last week-end and that, as a result, the kidnappers moved to the Monasterevin council house only 24 hours ago from a remote cottage three miles away at Kildangan.

That Dr. Herrema is still alive in spite of the Irish Government's continuing refusal to even treat with the abductors suggests that his captors will find it extremely difficult to kill him in cold blood. The police are, however, apparently hoping to sit it out much as their London counterparts did in the Staghetti House siege and there have been unconfirmed reports that the authorities have agreed to send food supplies up to the top floor.

Dr. Herrema's own physical condition, in so far as it could be judged this morning from his cries for help and brief appearance at an upstairs window with a pistol held to his head, seems surprisingly good for a man who at one time was reported to be

bound hand and foot, gagged and deafened with cotton wool in his ears. This evening, his wife and Dr. Krayenboff, head of the Akzo Group by which Dr. Herrema is employed, arrived in Dublin.

As dusk fell to-night, the small 90-house estate on the edge of the village of Monasterevin was bathed in the harsh, bluish light of the television lamps. At the back, Army floodlights have thrown the building into sharp relief. The house where police officers and the two mediators who have been active in the case, Father Donal O'Mahoney and trade unionist Mr. Philip Flynn, are conducting negotiations from the ground floor, is cordoned well off from the crowd of waiting reporters. The atmosphere on the estate is strangely undramatic.

The house itself is part of a simple, modern terrace building fronted by neat gardens. Away from the centre of the development, it looks out on a community playing-field and a railway embankment along which trains occasionally appear. Although the area has been described as "ringed by steel", the 60 soldiers deployed are in fact scarcely in evidence.

## £40m BSC stake in Quebec iron deal

By Harold Bolter, Industrial Editor

THE BRITISH Steel Corporation intends to invest about £40m over the next three years in an important new iron-ore mining and pelletising project in Quebec, Canada.

By taking part in the scheme, the Corporation will secure supplies of 2.5m. tonnes of ore pellets a year from this new source—a major part of the supply it needs to support its £4.5m. modernisation and expansion programme in the U.K.

The importance of the project can be seen from the fact that the BSC has decided to go ahead with this expenditure at a time when it is in severe financial difficulties, losing some £6m. a week.

For its £40m. investment in Quebec—most of which will be borrowed abroad by the BSC—the Corporation will have a 41.67 per cent. equity holding in a new company to be incorporated for the Canadian project.

### 8.23% stake

The majority shareholder will be Sidbec, a Quebec Government-owned steel producer, and the Quebec Cartier Mining Company will have an 8.23 per cent. stake.

The combined debt and equity capital of the new company will be of the order of £250m.

The project involves opening up a new mine with an annual output of 1.5m. tonnes of iron ore at Fire Lake in the province of Quebec and two pelletising lines with a total annual capacity of 6m. tonnes at Port Cartier.

Port Cartier is some 400 miles from Quebec City on the North shore of the Gulf of St. Lawrence with good year-round access for large ships from Britain.

### Attraction

Much of the necessary infrastructure—including railway, harbour and other facilities, the town of Gagnon and the concentrating plant to be associated with the mine—already exists.

Work on the Fire Lake mine and the Port Cartier pelletising plant has already started and the whole project is expected to reach full production in 1977.

This was an obvious attraction to the BSC, which has studied other options for securing ore supplies in the past, most of which would have involved longer lead-in times.

### Market price

Although it will be an important shareholder in the scheme, the BSC will still pay a full market price for its supplies of ore pellets.

It is reasonable to expect, however, that the new joint company will make profits and pay dividends as there have been signs of an "OPEC" pricing movement, developing in the iron ore industry.

Last year, the BSC used some 26m. tonnes of iron ore, 20m. tonnes of which was imported. By 1980, imports should have risen to 28m.-29m. tonnes, including the 2.5m. tonnes from Fire Lake, while home ore supplies will remain at around 5m.-5m. tonnes.

## THE LEX COLUMN

# Hawker shifts to diesel power

Hawker Siddeley has been performing better than most nationalisation stocks recently—its shares stand at a six-month high of 308p—and the interim figures are reasonably encouraging. On a comparable basis, attributable profits are marginally ahead at £134m, which is compatible with earnings targets for the full year of roughly 55p per share. With a little lower after the Canadian disposal, the existing aviation workload is enough to produce stable profits for the next year or two at least, and the electrical and diesel engine businesses are moving ahead strongly.

Aerospace is still in a cash-hungry phase, and working capital will be well up again this year. But contracts like the Chinese Trident are getting near to their peak financing needs, and the division ought to be a net generator of cash next year. Meanwhile, total borrowings at the end of this year are unlikely to rise beyond the equivalent of, say, two-fifths of shareholders' funds after allowing for the \$51m. U.S. acquisition.

Of course, nationalisation will transform the sums. The proposed terms could produce compensation of very roughly £80m, compared with a current market capitalisation of £147m. The group would be left with the electrical and mechanical engineering divisions, which produce trading profits of about £25m, including maybe £10m. from diesel engines which appear to be an area of major growth. In addition, attributable earnings in Canada amount to £21m. or so, and the U.S. acquisition should comfortably pay its way from year one. Soon, it may be possible to think of Hawker as a well managed engineering company, with plenty of cash and a well covered yield of 6 1/2 per cent. See also Page 22

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### Marks & Spencer

Marks & Spencer's sales growth slowed sharply during the summer—slipping from nearly 30 to just under 20 per cent. between the first and second quarters to give a 24 per cent. gain for the first half as a whole, compared with a 34 per cent. rise at British Home Stores. Marks has still managed its usual increase in market share with volume gains of 6 1/2 per cent. in food and 13 per cent. for clothing, and other

culled to maintain this during the final three months, which were exceptionally strong in 1974-75. Margins are now below the safety net level for the first time, so in the second half, the aim is to increase gross returns to recover fully what was lost in the first six months. Full year profits should be at least £55m. pre-tax, against £51.8m. for a prospective p/e of over 15 at 108p. The shares have been weak both against the market and BHS in recent weeks, and this trend may not change in a hurry. See also Page 20

### Associated Biscuit

Associated Biscuit surprised everybody yesterday with profits for the first 36-weeks of 1975 at least £1m. ahead of market estimates at £4.75m. pre-tax, against £2.93m. But the explanation is price rises at a time of sharpish declines in volume and stocks. See also Page 21

### Index rose 8.1 to 344.8

goods. However, the moves to reduce stock levels during the summer have affected margins, and after a £3.5m. extra pension contribution, pre-tax profits are only 2 per cent. up at £35.8m. The overseas stores made a little contribution during this period, and are unlikely to do so for at least a year. In Canada, Peoples Department Stores, is being reorganised, while on the Continent, the Paris and Brussels stores had sales of £3.68m. in their first full six months, but lost money. The Paris store has, however, been well above break-even level for the past few weeks.

In the U.K., the rate of sales growth is running at about the same level as in the second quarter though it may be difficult to maintain this during the final three months, which were exceptionally strong in 1974-75. Margins are now below the safety net level for the first time, so in the second half, the aim is to increase gross returns to recover fully what was lost in the first six months. Full year profits should be at least £55m. pre-tax, against £51.8m. for a prospective p/e of over 15 at 108p. The shares have been weak both against the market and BHS in recent weeks, and this trend may not change in a hurry. See also Page 20

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### Paterson Zochonis

Paterson Zochonis has its forecasts at the time bid for Cussons, comfort the pre-tax level with against £7.5m. excluding change gains, but, more worry at the attributable where earnings emerge a share compared with the shadowed minimum of. Compared with last year, ing profits have jumped cent. on a turnover gain a sixth, reflecting the has tended to shift out bulk goods like flour and towards more soya products such as soya motorcycles where the are better. At the same time, the factoring operations in perfumes and refrigerators developed, and now account 40 per cent. of turnover the other hand, the in Nigeria are claiming slice of net profits, no doubling to £1.19m. in. But thanks to Nigeria's thinning oil-based boom profits remain bright, with share split helped to price up 40p to a new peak of 440p—high given a p/e of 7.5 (which be slightly diluted by C price rises at a time of sharpish declines in volume and stocks. See also Page 21

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## Prince Fahd shops for Jaguar aircraft

By Richard Johns

THE Jaguar fighter-bomber is understood to be one important item of defence equipment which Saudi Arabia is interested in purchasing from Britain with the requirements of Egypt in mind and is being discussed during the current state visit to Britain of Crown Prince Fahd. Also on the "shopping list" are infra-red night sights for armour and artillery, according to informed sources.

When the Saudis first showed an interest in the Anglo-French aircraft two years ago, the Government then emphasised that it could be only sold under a contract restricting the Jaguar to the Kingdom itself in case it was transferred to Egypt for operations against Israel.

### Prince in talks

It now appears, however, that the U.K. would not lay any such conditions on the supply of the Jaguar to Saudi Arabia. The Kingdom has already contracted for the purchase of the Mirage F-1 from France on the understanding that they could be transferred to the "confrontation" States.

First exchanges on the Jaguar followed President Sadat's expulsion of Soviet military advisers in 1972 and his declaration that he would seek arms from Western suppliers.

Crown Prince Fahd, who arrived in London on Monday, yesterday held talks with Mr. James Callaghan, Foreign and Commonwealth Secretary, who called at his hotel. Later he attended a lunch given by Mr. Gordon Richardson, Governor of the Bank of England and was dining with Mr. Denis Healey, Chancellor of the Exchequer, last night.

Nothing was known last night about the talks being held by Saudi Arabia's First Deputy Prime Minister and his appearance to the Throne, especially on financial matters—including the future of the Kingdom's Sterling investment and the possibility of a loan for Britain.

### Visit planned

No formal agreements will be concluded, Dr. Callaghan is understood to be planning a visit to Saudi Arabia towards the end of November when he may be in a position to sign an accord on joint economic collaboration, in particular U.K. participation in implementation of the second Five-Year Plan.

The bulk of Saudi Arabia's own military requirements are being met by the U.S., but—with Egypt in mind—it is clearly anxious to diversify sources of supply. Parliament, Page 16

## Save textile industry, says Bishop

SOUTHERNERS "grow fat on the labours of the North." Dr. Eric Treacy, Bishop of Wakefield, claimed yesterday a plan for the Government to take action to save the textile industry.

"Mill after mill is being forced to close and Yorkshire towns which have grown up around the textile industry are becoming distressed areas. It amounts to the murder of an industry. Closure of so many mills is bound to result in disintegration of these areas."

The time has come, he adds, for the Government to take steps to control imports of textiles and raw materials. The bishop wants the Government to treat textiles—"one of the oldest industries"—as a special case.

## New doctors' threat over private practice phase-out

By DONALD MACLEAN AND LORELIES OISLAGER

DOCTORS last night warned that industrial action might follow a refusal of the Government to reverse its policy of phasing out private practice from the National Health Service.

The warning—which came as industrial action over the phasing out of over-time pay spread—followed talks with Mr. Wilson, the Prime Minister, which produced no change of Government policy, but in which fears for the future of the private medical sector, as opposed to the health service, were voiced vigorously by private medicine, they feel, is dependent on being linked to the health service. The contents of the Queen's Speech in November are seen as crucial.

Industrial action over the phasing out of private beds, it was stressed, would not be springing from doctors' leaders, but might arise from the rank and file of doctors.

By tomorrow, more than 100 hospitals are expected to be affected, and junior doctors forecast that by the weekend over 50 per cent. of their 15,000 colleagues will have decided to take action.

To-day, Merseyside is expected to become one of the hardest hit regions. More than 1,000 junior doctors at 21 hospitals have threatened to treat emergency cases only from 8 a.m. onwards.

Other areas where action has been taken or is planned include Kent, Essex, Sussex, East Anglia, Coventry, Derby, Glamorgan, Canterbury, Thanet, Hillingdon, Enfield and Basildon. Junior doctors in at least two London teaching hospitals—St. Bartholomew's and University College Hospital—will consider action later this week.

Thousands of outpatient appointments are being cancelled and non-urgent operations put off in the hospitals affected.

While most of the junior doctors stick to the tactic of treating emergency cases only, a small number of hospitals are expected to be hit by 24-hour strikes.

At Peterborough, 50 junior doctors threaten to resign from the NHS unless the Government improves its offer for a new contract.

But many doctors on "emergency cases only" interpret this comparatively liberally so far. Children and maternity cases, as well as cancer patients and old people are often exempt from the restrictions.

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